

SCHEDULE "E"

THE CORPORATION OF THE TOWN OF MIDLAND

- and -

NEWMARKET-TAY POWER DISTRIBUTION LTD.

SHARE PURCHASE AGREEMENT

Dated the 31st day of May, 2017

**Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, Ontario
M5H 4E3**

TABLE OF CONTENTS

	Page
ARTICLE I INTERPRETATION	1
1.1 Defined Terms.....	1
1.2 Construction.....	11
1.3 Certain Rules of Interpretation.....	11
1.4 Knowledge.....	11
1.5 Computation of Time.....	11
1.6 Performance on Business Days.....	12
1.7 Calculation of Interest.....	12
1.8 Currency and Payment.....	12
1.9 Schedules.....	12
ARTICLE II PURCHASE AND SALE OF PURCHASED SHARES.....	13
2.1 Purchase and Sale of Purchased Shares.....	13
2.2 Purchase Price.....	13
2.3 Payment of Purchase Price.....	13
2.4 Adjustment to Purchase Price.....	13
2.5 Access.....	15
2.6 Real Property Excluded.....	15
ARTICLE III REPRESENTATIONS AND WARRANTIES	16
3.1 Representations and Warranties of the Vendor.....	16
3.2 Representations and Warranties of the Purchaser.....	26
ARTICLE IV SURVIVAL OF COVENANTS, AND REPRESENTATIONS AND WARRANTIES	28
4.1 Survival.....	28
ARTICLE V COVENANTS OF THE VENDOR.....	29
5.1 Access to the Corporation.....	29
5.2 Conduct of Business Prior to Closing.....	29
5.3 Delivery of Books and Records.....	29
5.4 Resignation of Directors and Officers.....	29
5.5 Transfer of Purchased Shares.....	30
ARTICLE VI COVENANTS OF THE PURCHASER.....	30
6.1 Employment Guarantee and Location Guarantees.....	30
6.2 Participation in Community Events and Programs.....	31
6.3 Economic Development in the Community.....	31
6.4 Advisory Committee.....	31
6.5 Board Representation.....	31
6.6 Employee Related Matters.....	32
6.7 Continued Pole Access and Charges.....	32

6.8	Service Quality and Service Standards.	32
6.9	Smart Grid, Conservation and Demand Management and Smart Meters.	33
6.10	Broadband.	33
6.11	Capital Plans.....	33
6.12	Unembedded Distribution.	33
6.13	Engagement in respect of the Transaction	33
6.14	Rates and Rate Harmonization.	33
6.15	Books and Records.....	34
6.16	Continued Use of Name.	34
6.17	Ancillary Agreements.	34
6.18	Confidentiality.....	35
6.19	Survival.	36
ARTICLE VII REQUIRED APPROVAL.....		36
7.1	Required Approval.	36
7.2	Ontario Minister of Finance Notice.	37
ARTICLE VIII TAX MATTERS		37
8.1	Preparation and Filing of Tax Returns.	37
8.2	Notification Requirements.	37
8.3	Vendor Indemnification.	37
8.4	Purchaser’s Contest Rights.	38
8.5	Vendor’s Contest Rights.	38
8.6	Indemnification Procedures.....	39
ARTICLE IX CONDITIONS OF CLOSING		40
9.1	Conditions of Closing in Favour of the Purchaser.	40
9.2	Conditions of Closing in Favour of the Vendor.....	41
ARTICLE X CLOSING ARRANGEMENTS.....		42
10.1	Place of Closing.	42
10.2	Transfer.	42
ARTICLE XI ARBITRATION		42
11.1	Arbitration.	42
ARTICLE XII INDEMNIFICATION		43
12.1	Indemnification by the Vendor.	43
12.2	Indemnification by the Purchaser.....	44
12.3	Notice of Claim.	44
12.4	Direct Claims.....	44
12.5	Third Party Claims.	45
12.6	Settlement of Third Party Claims.....	45
12.7	Limitation on Claims.....	45
12.8	Exclusivity.....	46
12.9	Purchaser’s Acknowledgement.....	46
12.10	Duty to Mitigate, Single Recovery.....	47

ARTICLE XIII MISCELLANEOUS.....	47
13.1 Further Assurances.....	47
13.2 Announcements.....	47
13.3 Brokerage, Commissions, etc.....	48
13.4 Notices.....	48
13.5 Best Efforts.....	48
13.6 Costs and Expenses.....	49
13.7 Counterparts.....	49
13.8 Assignment.....	49
13.9 Successors.....	49
13.10 Governing Law.....	49
13.11 Waiver of Rights.....	49
13.12 No Third Party Beneficiary.....	49
Schedule 1.1(ddd) – Initial Financial Statements.....	1
Schedule 2.3 – Form of Escrow Agreement.....	1
Schedule 2.4(a) – Example Purchase Price Adjustment.....	1
Schedule 3.1(i) – Consents and Required Approval (Vendor or the Corporation).....	1
Schedule 3.1(l) – Real Property and Leased Property.....	1
Schedule 3.1(l)(vi) – Town Property.....	1
Schedule 3.1(m) – Intellectual Property.....	1
Schedule 3.1(n) – Employment Contracts and Commitments.....	1
Schedule 3.1(o) – Material Contracts.....	1
Schedule 3.1(p) – Employee Plans.....	1
Schedule 3.1(q) – Collective Agreement.....	1
Schedule 3.1(s) – Insurance Policies.....	1
Schedule 3.1(v) – Taxes.....	2
Schedule 3.1(w) – Permitted Encumbrances.....	3
Schedule 3.1(y) – Licences.....	1
Schedule 3.2(g) – Consents and Approvals (Purchaser).....	2
Schedule 5.2 – Conduct of Business Prior to Closing.....	3
Schedule 6.2 – Participation in Community Events and Programs.....	1
Schedule 6.3 – Economic Development in the Community.....	1
Schedule 6.8 – Service Quality and Service Standards.....	2
Schedule 6.17(b) – Service Arrangements with the Town of Midland.....	1

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made the 31st day of May, 2017 (the “**Effective Date**”).

B E T W E E N:

THE CORPORATION OF THE TOWN OF MIDLAND, a municipal corporation under the laws of Ontario, (the “**Vendor**”)

- and -

NEWMARKET-TAY POWER DISTRIBUTION LTD., a corporation incorporated under the laws of Ontario, (the “**Purchaser**”)

Recitals:

1. Midland Power Utility Corporation (the “**Corporation**”) is a local distribution company incorporated under the *Business Corporations Act* (Ontario) that distributes electricity within the Town of Midland, Ontario;

2. The Vendor is the beneficial and registered owner of all of the issued and outstanding shares of the Corporation; and

3. The Vendor wishes to sell to the Purchaser, and the Purchaser wishes to purchase from the Vendor, all of the issued and outstanding shares of the Corporation, on and subject to the terms and conditions set forth herein;

THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree as follows.

ARTICLE I INTERPRETATION

1.1 Defined Terms. In this Agreement, including the recitals, and schedules hereto, unless the context otherwise specifies or requires, the following terms shall have the respective meanings specified or referred to below and grammatical variations of such terms shall have corresponding meanings:

- (a) “**Accounts Receivable**” means all accounts receivable and other amounts due, owing or accruing due to the Corporation in connection with the Business, net of an allowance for uncollectible amounts.
- (b) “**Advisory Committee**” has the meaning ascribed thereto in Section 6.4.
- (c) “**Affiliate**” has the meaning ascribed thereto in the OBCA.

- (d) **“Agreement”** means this share purchase agreement, including all schedules attached hereto, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.
- (e) **“Ancillary Agreement”** has the meaning set forth in Section 6.17.
- (f) **“Applicable Law”** means any and all applicable laws, including Environmental Laws, common law, statutes, codes, licensing requirements, directives, rules, regulations, protocols, policies, by laws, guidelines, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any Government Authority, including without limitation, the OEB.
- (g) **“Auditor”** means BDO Canada LLP.
- (h) **“Books and Records”** means all books, records, files and papers of the Corporation including title documentation, computer programs (including source codes and software programs), computer manuals, computer data, financial and Tax working papers, financial and Tax books and records, business reports, business plans and projections, sales and advertising materials, sales and purchases records and correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel and employment records, minute and share certificate books, all other documents and data (technical or otherwise) relating to the Corporation or the Business, and all copies and recordings of the foregoing.
- (i) **“Business”** means the business carried on by the Corporation, including the distribution of electricity in the Town of Midland.
- (j) **“Business Day”** means a day other than a Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.
- (k) **“Claim”** means any demand, action, complaint, grievance, investigation, inquiry, suit, proceeding, claim, assessment, order, judgment, prosecution or settlement or compromise relating thereto.
- (l) **“Closing”** means completion of the Transactions contemplated herein on the Closing Date and in accordance with the provisions of this Agreement.
- (m) **“Closing Date”** means the first date which is the first Business Day of a month and no earlier than five (5) Business Days and no later than thirty-five (35) days following the date that the Required Approval has been obtained or such earlier or later date as may be agreed to by the Parties in writing.
- (n) **“Closing Date Financial Statements”** means audited financial statements for the Corporation for the fiscal period ended on the day immediately prior to the Closing Date, prepared in accordance with GAAP, consistently applied and on the same basis as the Initial Financial Statements, consisting of a balance sheet as of such date and

statements of operations, retained earnings, and cash flow for such period, together with notes thereto as at such date.

- (o) **“Closing Date Long Term Debt”** means the amount of Long Term Debt based on the Closing Date Financial Statements.
- (p) **“Closing Date NFA”** means the amount of NFA stated in the Closing Date Financial Statements.
- (q) **“Closing Date Working Capital”** means the amount of Working Capital in the Closing Date Financial Statements.
- (r) **“Collective Agreement”** has the meaning ascribed thereto in Section 3.1(q)(i).
- (s) **“Common Shares”** means common shares in the capital of the Corporation, as constituted on the date hereof.
- (t) **“Confidential Disclosure Schedule”** means that confidential disclosure schedule dated as of the Effective Date which the Vendor delivered to the Purchaser contemporaneously with the execution and delivery of this Agreement.
- (u) **“Confidential Information”** has the meaning ascribed thereto in the Confidentiality Agreement.
- (v) **“Confidentiality Agreement”** means the confidentiality agreement between the Vendor and the Purchaser dated December 6, 2016.
- (w) **“Contract”** means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral.
- (x) **“Corporation”** means Midland Power Utility Corporation.
- (y) **“CTA”** means the *Corporations Tax Act* (Ontario) or the *Taxation Act, 2007* (Ontario) and any regulation made thereunder.
- (z) **“Current Assets”** means the sum of Accounts Receivable, unbilled service revenue, inventory, prepaid expenses and current Tax receivable, excluding cash and cash equivalents.
- (aa) **“Current Liabilities”** means all unconditional liabilities of the Corporation due, payable or accruing in connection with the Business, including the sum of bank indebtedness, accounts payable and accrued liabilities, current Taxes payable, current portion of customer security deposits and the current portion of Long Term Debt.
- (bb) **“Damages”** means any loss, liability, damage or expense (including reasonable legal fees, accountants’, investigators’, engineers’ and consultants’ fees and expenses, interest, penalties and amounts paid in settlements), whether resulting from any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third

party, or any cause, matter, thing, act or omission or state of facts not involving a third party, but excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than damages of a third party in respect of a Third Party Claim.

- (cc) **“Data Room”** means the Midland Power Utility Corporation data site located at <https://extranet.blg.com/clients/MidlandPower/Pages/Default.aspx> as at the Effective Date.
- (dd) **“Deductible”** has the meaning ascribed thereto in Section 12.7(a)(i).
- (ee) **“Departure Tax”** means the tax payable pursuant to Section 93 of the EA and calculated according to Section 12 of O. Reg. 162/01 *Payments in Lieu of Corporate Taxes – Municipal Electricity Utilities* promulgated pursuant to the EA, or any similar tax or replacement or substitution thereof.
- (ff) **“Deposit”** has the meaning ascribed thereto in Section 2.3(a).
- (gg) **“Direct Claim”** has the meaning ascribed thereto in Section 12.3.
- (hh) **“EA”** or **“Electricity Act”** means the *Electricity Act, 1998* (Ontario), as now enacted or as the same may from time to time be amended, re-enacted or replaced, and any regulations thereunder.
- (ii) **“Easements”** means the right to use, traverse, enjoy or have access to, over, in or under any real property.
- (jj) **“Effective Date”** means the date of this Agreement as first stated above.
- (kk) **“Employee Fact Sheet”** has the meaning ascribed thereto in Section 3.1(r)(i).
- (ll) **“Employee Plans”** has the meaning attributed to that term in Section 3.1(p)(i) and for greater clarity, includes the OMERS Plan.
- (mm) **“Employees”** has the meaning ascribed thereto in Section 3.1(r)(i).
- (nn) **“Encumbrance”** means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any Contract to create any of the foregoing.
- (oo) **“Environment”** means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub surface strata and sewer system.
- (pp) **“Environmental Approvals”** means all permits, certificates, licences, authorizations, consents, registrations, directions, instructions, waste generation numbers or approvals

required pursuant to Environmental Laws with respect to Real Property or the operation of the Corporation or its Business.

- (qq) “**Environmental Laws**” means all Applicable Law relating to (i) the protection of the natural environment; and (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances, including those pertaining to occupational health and safety.
- (rr) “**Escrow Agent**” has the meaning ascribed thereto in the Escrow Agreement.
- (ss) “**Escrow Agreement**” means the escrow agreement to be entered into between the Purchaser, the Vendor and the Escrow Agent in the form attached hereto as Schedule 2.3.
- (tt) “**ETA**” means the *Excise Tax Act* (Canada) and any regulations made thereunder.
- (uu) “**Fixed Assets**” means fixed assets, furniture, furnishings, parts, tools, personal property fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, computer hardware and software, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings and any other similar or related item of the Business.
- (vv) “**GAAP**” means the generally accepted accounting principles (including the methods of application of such principles and, as applicable, International Financial Reporting Standards) accepted or recommended by the Canadian Institute of Chartered Accountants which are applicable in Canada as at the date on which any calculation made hereunder is to be effective.
- (ww) “**Governmental Authority**” means any domestic government, whether federal, provincial, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government including the OEB.
- (xx) “**Hazardous Substances**” means any hazardous substance or any pollutant or contaminant, toxic or dangerous waste, substance, or material as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly chlorinated biphenyls.
- (yy) “**HST**” means all taxes payable under Part IX of the ETA (including where applicable both the federal and provincial portion of those taxes) or under any provincial legislation imposing a similar value added or multi-staged tax.
- (zz) “**IFRS**” means International Financial Reporting Standards.

- (aaa) **“Indemnified Party”** has the meaning ascribed thereto in Section 12.3.
- (bbb) **“Indemnifying Party”** has the meaning ascribed thereto in Section 12.3.
- (ccc) **“Independent Auditor”** has the meaning ascribed thereto in Section 2.4(b).
- (ddd) **“Initial Financial Statements”** means the audited financial statements of the Corporation as at December 31, 2015 prepared in accordance with IFRS.
- (eee) **“Initial Long Term Debt”** means \$3,862,716.
- (fff) **“Initial NFA”** means \$11,580,394.
- (ggg) **“Initial Working Capital”** means (\$16,897).
- (hhh) **“Joint Use Agreement for Power Utility Distribution Poles”** has the meaning set forth in Section 6.7.
- (iii) **“Leased Property”** has the meaning ascribed thereto in Subsection 3.1(l)(iii).
- (jjj) **“Licences”** has the meaning ascribed thereto in Subsection 3.1(y).
- (kkk) **“Long Term Debt”** means the long term debt of the Corporation as reflected in the Corporation’s financial statements, excluding the current portion of long term debt.
- (lll) **“Long Term Debt Calculation”** has the meaning ascribed thereto in Section 2.4(a)(iii).
- (mmm) **“Losses”** means any and all loss, liability (whether accrued, actual, contingent, latent or otherwise), damage, cost, expense (including interest, court costs and reasonable fees of lawyers, accountants and other experts and professionals), Taxes, charge, fine, penalty or assessment, suffered or incurred by the Person seeking indemnification, directly resulting from or arising out of any Claim, including the costs and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, including without limitation a gross-up to account for any tax payable or a reduction in the “cost amount”, as defined in subsection 248(1) of the Tax Act of any property owned by the Purchaser or the Corporation or a successor entity in the taxation year as a result of receiving the indemnification amount but: (i) excluding any contingent liability until it becomes actual; (ii) reduced by any net Tax benefit; (iii) reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Persons; and (iv) excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than as may be included in damages of a Third Party in respect of a Third Party Claim.
- (nnn) **“Material Adverse Effect”** means any change or effect that has a material adverse effect on the Property or obligations and liabilities of the Corporation or the operations

or results of operations of the Business of the Corporation after taking into account any insurance which may be available with respect to such a change or effect. For greater clarity, a Material Adverse Effect does not include a change in Applicable Law.

- (ooo) “**Material Contract**” means any Contract (i) that has a value exceeding Fifty Thousand Dollars (\$50,000.00) in annual payments or \$150,000.00 in aggregate (excluding any collective bargaining agreements or other employment related agreements); (ii) which is with the Vendor or a Person that is related to or controlled by the Vendor; (iii) entered into after the date of the Initial Financial Statements which is for the borrowing of money or the hedging of interest, currency, or any commodity; (iv) entered into after the date of the Initial Financial Statements which is a guarantee of the indebtedness or obligations of another Person; or (v) the absence or termination of which would have a Material Adverse Effect.
- (ppp) “**NFA**” means the aggregate value of the Corporation’s property, plant and equipment net of contributions in aid of construction as reflected in its financial statements.
- (qqq) “**NFA Calculation**” has the meaning ascribed thereto in Section 2.4(a)(ii) of this Agreement.
- (rrr) “**NFA Index**” shall be equal to 1.7.
- (sss) “**OBCA**” means the *Business Corporations Act* (Ontario), as in effect on the date hereof.
- (ttt) “**OEB**” means the Ontario Energy Board and its successors.
- (uuu) “**OEB Act**” means the *Ontario Energy Board Act, 1998*, as in effect on the date hereof.
- (vvv) “**OMERS Plan**” means the OMERS Primary Pension Plan, Financial Services Commission of Ontario Registration Number 0345983.
- (www) “**Outside Date**” means December 31, 2018, which may be extended by the Vendor to September 30, 2019 if the Required Approval has not yet been obtained, but all of the other conditions set forth in Section 9.1 and Section 9.2 would have been satisfied, complied with or waived as at December 31, 2018 but without prejudice to the requirement that such conditions be satisfied, complied with or waived at or prior to the Time of Closing.
- (xxx) “**Party**” means a party to this Agreement, and “**Parties**” means both of them.
- (yyy) “**Permitted Encumbrances**” means:
 - (i) servitudes, easements, restrictions, rights-of-way and other similar rights in real property or any interest therein, provided that those servitudes, easements,

restrictions, rights-of-way and other similar rights are not of such a nature as to materially adversely affect the use or value of the property subject thereto;

- (ii) undetermined or inchoate liens, charges and privileges incidental to current construction or current operations, except for liens, charges and privileges related to Taxes;
 - (iii) statutory liens, charges, adverse claims, security interests or Encumbrances of any nature whatsoever claimed or held by any Governmental Authority that have not at the time been filed or registered against the title to the asset or served on the Corporation pursuant to Applicable Law or that relate to obligations not due or delinquent, except for statutory liens, charges, adverse claims, security interests or Encumbrances related to Taxes;
 - (iv) assignments of insurance provided to landlords or their mortgagees or hypothecary creditors pursuant to the terms of any lease and liens, security interests, or rights reserved in or granted pursuant to any lease as security for payment of rent or for compliance with the terms of that lease;
 - (v) security given in the ordinary course of the Business to any public utility or Governmental Authority in connection with the operations of the Business, other than security for borrowed money;
 - (vi) the reservations in any original grants from the Crown of any Real Property or interest therein and statutory exceptions to title that do not materially detract from the value of the Real Property concerned or materially impair its use in the operation of the Business; and
 - (vii) the encumbrances described in Schedule 3.1(w).
- (zzz) “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, Governmental Authority or entity however designated or constituted.
- (aaaa) “**PILs**” means payment in lieu of corporate taxes required to be made under Section 93 of the EA or any similar tax or replacement or substitution thereof.
- (bbbb) “**Pre-Closing Tax Period**” means any Tax period ending on or before the day immediately prior to the Closing Date, and with respect to a Straddle Period, the portion of such Straddle Period ending on the day immediately prior to the Closing Date.
- (cccc) “**Property**” means the property and assets used by the Corporation to conduct its Business, including without limitation, the Real Property, the Leased Property, the Easements, the Intellectual Property and Fixed Assets.

- (dddd) **“Property Taxes”** has the meaning ascribed thereto in Section 8.3.
- (eeee) **“Purchase Price”** has the meaning ascribed thereto in Section 2.2.
- (ffff) **“Purchased Shares”** has the meaning ascribed thereto in Section 2.1.
- (gggg) **“Purchaser”** means Newmarket-Tay Power Distribution Ltd., a corporation incorporated under the laws of Ontario.
- (hhhh) **“Purchaser Fundamental Change”** means (i) a direct or indirect acquisition of more than 25% of the issued and outstanding shares of the Purchaser by a third party; (ii) any amalgamation of the Purchaser or reorganization of the Purchaser, or arrangement involving the Purchaser, which results in the Town of Newmarket holding, directly or indirectly, less than 25% of the issued and outstanding shares of the resulting entity; or (iii) a material change in the service territory of the Purchaser.
- (iiii) **“Purchaser’s Objection”** has the meaning ascribed thereto in Section 2.4(b).
- (jjjj) **“Real Property”** has the meaning ascribed thereto in Subsection 3.1(l).
- (kkkk) **“Release”** has the meaning ascribed thereto in any Environmental Law and includes, without limitation, any presence, release, spill, leak, pumping, pouring, addition, emission, emptying, discharge, injection, escape, leaching, disposal, dispersal, migration, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement.
- (llll) **“Remedial Order”** means any complaint, direction or order or sanction issued, filed or imposed by any Governmental Authority pursuant to any Environmental Law and includes any order requiring any remediation, removal or clean-up of any Hazardous Substance or requiring that any Release or any other activity be reduced, modified or eliminated.
- (mmmm) **“Representative”** means, with respect to any Party, its Affiliates and, its and their respective directors, officers, employees, agents and other representatives and advisors.
- (nnnn) **“Required Approval”** has the meaning ascribed thereto in Section 7.1.
- (oooo) **“Shareholder Declaration”** means the shareholder direction and unanimous shareholder declaration of the Vendor establishing certain principles of governance relating to the Corporation.
- (pppp) **“Statutory Plans”** means benefit plans that the Corporation is required by Applicable Law to participate in or contribute to in respect of an employee, director or officer of the Corporation or any beneficiary or dependent thereof, including the Canada Pension Plan, and plans administered pursuant to applicable health, Tax, workplace safety insurance, workers’ compensation and employment insurance legislation.

- (qqqq) “**Straddle Period**” means any Tax period that begins prior to the Closing Date and includes but does not end on the Closing Date.
- (mm) “**Tax**” or “**Taxes**” means all domestic and foreign federal, provincial, municipal, territorial or other taxes, imposts, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed including, without limitation, all income, capital gains, sales, excise, use, property, capital, transfer, land transfer, goods and services, HST, business transfer and value added taxes, all customs and import duties, workers’ compensation premiums, Canada Pension Plan contributions, employment insurance premiums, and includes PILs, Departure Tax, and Transfer Tax and/or other payments pursuant to Part VI of the EA together with all interest, additions, fines and penalties with respect thereto.
- (ssss) “**Tax Act**” means the *Income Tax Act* (Canada) and any regulations thereunder.
- (tttt) “**Tax Return**” means all returns, information returns, declarations, designations, forms, schedules, elections, reports and other documents of every nature whatsoever (and includes related or supporting information) filed, or required to be filed with any Governmental Authority with respect to any Taxes, including those required pursuant to Part VI of the EA or with respect to the administration of any Applicable Laws or administrative requirements relating to any Taxes and any amendments thereof.
- (uuuu) “**Third Party Claim**” has the meaning ascribed thereto in Section 12.3.
- (vvvv) “**Time of Closing**” means 10:00 a.m. on the Closing Date.
- (wwww) “**Town Property**” means the Real Property of the Corporation at the municipal address 16984 Hwy 12, Midland, Ontario and the legal description of which is described in Schedule 3.1(1)(vii), together with the real property leases set forth on Schedule 3.1(1)(vii).
- (xxxx) “**Transactions**” means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement.
- (yyyy) “**Transfer Tax**” means the tax payable pursuant to Section 94 of the EA or any similar tax or replacement or substitution thereof.
- (zzzz) “**Unembedded Distribution Plan**” has the meaning ascribed thereto in Section 6.12.
- (aaaa) “**Vendor**” means The Corporation of the Town of Midland.
- (bbbb) “**Vendor’s Counsel**” means Borden Ladner Gervais LLP.
- (cccc) “**Working Capital**” means the net book value of Current Assets less the net book value of Current Liabilities, calculated in accordance with IFRS.
- (dddd) “**Working Capital Calculation**” has the meaning ascribed thereto in Section 2.4(a)(i).

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) “including” or “includes” means “including (or includes) but is not limited to” and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”;
 - (iv) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts as of the date of this Agreement;
 - (v) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section in force as of the date of this Agreement, except that with respect to the Vendor’s obligations to comply with Applicable Law regarding Taxes, the reference date shall be the relevant point in time prior to the Closing Date; and
 - (vi) words in the singular include the plural and vice versa and words in one gender include all genders.

1.4 Knowledge. In this Agreement, any reference to the knowledge of the Vendor means to the best of the knowledge, information and belief of the Vendor after making due inquiries regarding the relevant matter of all relevant Representatives of the Corporation.

1.5 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (b) all references to specific dates mean 11:59 p.m. on the dates;
- (c) all references to specific times are references to Toronto time; and
- (d) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”.

1.6 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.7 Calculation of Interest. In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

1.8 Currency and Payment. In this Agreement, unless specified otherwise:

- (a) references to dollar amounts or “\$” are to Canadian dollars; and
- (b) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) that provides immediately available funds.

1.9 Schedules. The following schedules are attached to and form part of this Agreement:

Schedule 1.1(ddd)	-	Initial Financial Statements
Schedule 2.3	-	Form of Escrow Agreement
Schedule 2.4(a)	-	Example Purchase Price Adjustment
Schedule 3.1(i)	-	Consents and Required Approval (Vendor)
Schedule 3.1(l)	-	Real Property, Leased Property and Easements
Schedule 3.1(l)(vi)	-	Town Property
Schedule 3.1(m)	-	Intellectual Property
Schedule 3.1(n)	-	Contracts and Commitments
Schedule 3.1(o)	-	Material Contracts
Schedule 3.1(p)	-	Employee Plans
Schedule 3.1(q)	-	Collective Agreement
Schedule 3.1(s)	-	Insurance Policies
Schedule 3.1(v)	-	Taxes
Schedule 3.1(w)	-	Permitted Encumbrances
Schedule 3.1(y)	-	Licences
Schedule 3.2(g)	-	Purchaser’s Consents and Approvals
Schedule 5.2	-	Conduct of Business Prior to Closing
Schedule 6.2	-	Participation in Community Events and Programs
Schedule 6.3	-	Economic Development in the Community

- Schedule 6.8 - Service Quality and Service Standards
- Schedule 6.17(b) - Service Agreements with the Town of Midland

**ARTICLE II
PURCHASE AND SALE OF PURCHASED SHARES**

2.1 Purchase and Sale of Purchased Shares. Subject to the terms and conditions hereof, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor all of the issued and outstanding shares of the Corporation, as described in the table below (the “**Purchased Shares**”):

<u>Class of Shares</u>	<u>Issued</u>	<u>Shareholder</u>
Common Shares	1,000	The Corporation of the Town of Midland

2.2 Purchase Price. The purchase price payable by the Purchaser to the Vendor for the Purchased Shares (the “**Purchase Price**”) shall, subject to any adjustment in accordance with Section 2.4, be equal to \$21,969,487 plus an additional fixed amount of \$200,000 in respect of the Vendor’s transaction costs and expenses.

2.3 Payment of Purchase Price. The Purchase Price shall be payable as follows:

- (a) by effecting a wire transfer of immediately available funds concurrently with the execution and delivery of this Agreement, the sum of \$1,000,000 delivered to the Vendor’s Counsel, in trust, which amount shall hereinafter be referred to as the “**Deposit**”, and such Deposit to be held by Vendor’s Counsel in trust in an interest bearing account and released in accordance with the terms and conditions of the Escrow Agreement;
- (b) at the Time of Closing, by effecting a wire transfer of immediately available funds to an account designated in writing by the Vendor, the balance of the Purchase Price; and
- (c) if applicable, the additional amounts payable by the Purchaser pursuant to Section 2.4(b).

2.4 Adjustment to Purchase Price.

- (a) Subject to Section 2.5, within ninety (90) days following the Closing Date, the Vendor shall cause the preparation and delivery of audited financial statements for the Corporation, the Closing Date Financial Statements together with the Working Capital Calculation, the NFA Calculation and the Long Term Debt Calculation, to the Parties, all of which shall be audited by the Auditors, together with the Auditors’ working papers. The Purchase Price contemplated in Section 2.2 shall be increased or decreased on a dollar for dollar basis as set out below:
 - (i) for the difference between the Closing Date Working Capital and the Initial Working Capital as shown in the Working Capital Calculation (“**Working Capital Calculation**”);

- (ii) for an amount equal to the amount obtained when the NFA Index is multiplied by the difference between the Closing Date NFA and the Initial NFA as shown in the NFA Calculation (“**NFA Calculation**”); and
- (iii) for the difference between the Initial Long Term Debt and the Closing Date Long Term Debt (“**Long Term Debt Calculation**”).

The Purchaser shall pay the Vendor, as applicable, on a dollar for dollar basis (A) the amount by which the Closing Date Working Capital exceeds the Initial Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA exceeds the Initial NFA; and (C) the amount by which the Initial Long Term Debt exceeds the Closing Date Long Term Debt. The Vendor shall pay the Purchaser, as applicable, on a dollar for dollar basis, (A) the amount by which the Initial Working Capital exceeds the Closing Date Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA is less than the Initial NFA; and (C) the amount by which the Closing Date Long Term Debt exceeds the Initial Long Term Debt. For certainty, the Purchase Price shall not be subject to any adjustment in connection with the transfer set forth in Section 2.6. An example of the purchase price adjustments in this subsection is set out in Schedule 2.4(a). The payments, if any, payable pursuant to this Section 2.4(a) shall be netted such that one Party shall pay the other the netted amount.

- (b) The Purchaser shall have a period of thirty (30) Business Days from the later of (i) the receipt of the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation and the Long Term Debt Calculation; and (ii) the date on which the Purchaser is provided with access to the Auditor’s working papers relating to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation and the Long Term Debt Calculation within which to notify the Vendor in writing that it disputes any amounts contained in the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation and/or the Long Term Debt Calculation (the “**Purchaser’s Objection**”), failing which the Purchaser shall be deemed to have accepted such amounts. The Purchaser’s Objection shall set forth a specific description of the basis of the Purchaser’s Objection and the adjustments to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation and/or the Long Term Debt Calculation which the Purchaser believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by the Purchaser.
- (c) Subject to Section 2.4(d), payment of the adjustment to the Purchase Price pursuant to Section 2.4(a) shall be made by the applicable Party within thirty (30) Business Days following the later of (i) the date that the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation and/or the Long Term Debt Calculation are received by the Purchaser; and (ii) the date on which the Purchaser is provided with access to the Auditor’s working papers relating to the Closing Date

Financial Statements, the Working Capital Calculation, the NFA Calculation and the Long Term Debt Calculation.

- (d) If the Vendor and the Purchaser cannot agree on the adjustment of the Purchase Price pursuant to Section 2.4(a) within the time limit for payment of the adjustment to the Purchase Price pursuant to Section 2.4(b), the Vendor and the Purchaser will submit any unresolved matter within a further five (5) day period, to an independent, nationally recognized accounting firm selected by the Vendor and the Purchaser (the “**Independent Auditor**”) for resolution or, failing agreement, as appointed by the Ontario Superior Court of Justice. The Independent Auditor will be given access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed in the arbitration proceedings will be determined by the Independent Auditor in its discretion. The Independent Auditor will make its determination as soon as practicable and, in any case, within thirty (30) days of the matter being submitted to it. The Independent Auditor determination of all such matters will be final and binding on the Parties and will not be subject to appeal by any Party. The fees and expenses of the Independent Auditor will be borne equally between the Vendor and the Purchaser. The Closing Date Financial Statements and amounts specified in Section 2.4(a) will be modified to the extent required to give effect to the Independent Auditor’s determination and will be deemed to have been approved as of the date of such determination.

2.5 Access. Following the Closing, the Purchaser shall provide the Vendor and the Auditor with timely access to all books, records, documents, materials, and other information and Representatives of the Corporation reasonably requested by the Vendor for purposes of preparation and delivery of the Closing Date Financial Statements together with the Working Capital Calculation, the NFA Calculation, the Long Term Debt Calculation and the Tax Returns to be prepared by the Vendor pursuant to Section 8.1.

2.6 Real Property Excluded. The Purchaser acknowledges and agrees that the Town Property shall be transferred by the Corporation to the Vendor before the Closing Date. The transfer of the Town Property shall be completed as a dividend in kind; provided, however, that such transfer may be completed in such other manner as the Corporation and the Vendor may determine with the prior consent of the Purchaser (such consent not to be unreasonably withheld or delayed) and provided that such other manner of transfer does not adversely affect the Purchaser or the Corporation in any material way. All transfer and conveyances, as contemplated by this Section 2.6, and all applicable Taxes arising from such transfer and conveyances shall be paid by the Vendor and shall be accurately reflected in related Tax Returns. Notwithstanding any other provision of this Agreement, the Vendor shall indemnify and hold harmless the Corporation and the Purchaser from and against any Losses sustained or suffered by the Corporation and/or the Purchaser, as the case may be, to the extent caused by or arising from any and all Taxes levied, imposed or assessed on the Corporation and/or the Purchaser, as the case may be, and arising from, as a result of, or on account of, any transfer or conveyance contemplated in this Section 2.6. The indemnity herein shall survive and continue in full force and effect until the date that is 180 days after any relevant Governmental Authority is no longer entitled to assess or reassess the Corporation and/or the Purchaser, as the case may be, in respect of any Taxes arising from such transfer and conveyances. The general procedures regarding

notice and procedures regarding indemnification Claims set forth in Article XII shall apply to all Claims for indemnification made under this Section 2.6.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Vendor. The Vendor represents and warrants to the Purchaser as follows and acknowledges that, except as otherwise expressly provided herein, the Purchaser is relying on such representations and warranties in connection with the Transactions contemplated herein:

- (a) **Organization.** The Corporation is a corporation duly incorporated and validly subsisting under the laws of the Province of Ontario and has the corporate power, capacity and authority to own or lease or dispose of its property and assets and to carry on the Business under the laws of the Province of Ontario. No proceedings have been instituted or are pending for the dissolution, winding up or liquidation of the Corporation.
- (b) **Corporate Power of the Vendor and Due Authorization.** The Vendor has all requisite statutory power, authority and capacity to enter into, and to perform its obligations under this Agreement and to transfer the legal and beneficial title and ownership of the Purchased Shares to the Purchaser free and clear of all Encumbrances. The Vendor has duly taken, or has caused to be taken, all action required to be taken by the Vendor to authorize the execution and delivery of this Agreement by the Vendor in the performance of its obligations hereunder.
- (c) **Binding Agreement.** This Agreement has been duly executed by the Vendor and will, upon delivery, constitute a valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other Applicable Laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (d) **Authorized and Issued Capital of the Corporation.** The authorized share capital of the Corporation consists of an unlimited number of Common Shares, of which only the Purchased Shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of the Corporation at Closing.
- (e) **Ownership of Shares.** The Vendor is the sole beneficial and registered owner of the Purchased Shares, with good and marketable title thereto, free and clear of all Encumbrances (other than the rights of the Purchaser hereunder) and has the exclusive right to dispose of the Purchased Shares as herein provided. Without limiting the generality of the foregoing, except for the Shareholder Declaration, none of the Purchased Shares is subject to any voting trust, shareholder agreement or voting agreement.

- (f) **Options.** No Person (other than the Purchaser under this Agreement) has the benefit of any Contract or any right or privilege (whether by Applicable Law, pre-emptive or contractual) binding upon or which may at any time in the future become binding upon the Vendor to acquire or obtain in any other way an interest in any of the Purchased Shares.
- (g) **Subsidiaries.** Except as disclosed in the Confidential Disclosure Schedule, the Corporation does not own nor has any interest in any shares or equity interests of any other Person.
- (h) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:
- (i) any provision of the by-laws of the Vendor;
 - (ii) any Material Contract to which the Vendor or the Corporation is a party;
 - (iii) any Contract or by which the Vendor, the Corporation or any of its Real Property or Leased Property is bound, which would have a Material Adverse Effect on the Vendor or the Corporation's ability to perform its obligations under this Agreement; or
 - (iv) subject to the Required Approval, to the Vendor's knowledge, any Applicable Law or requirement of a Governmental Authority having jurisdiction over each of the Vendor and the Corporation, which would have a Material Adverse Effect on the Vendor's ability to perform its obligations under this Agreement.
- (i) **Consents and Approvals.** Other than the Required Approval and those listed in Schedule 3.1(i), there is no requirement for the Vendor or the Corporation to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Transaction.
- (j) **Compliance with Applicable Law.** The Corporation has complied in all material respects with all Applicable Laws relating to its Business, where the failure to comply would have a Material Adverse Effect. The Corporation is not in violation or default under, and to the Vendor's knowledge, no event has occurred which, with the lapse of time or the giving of notice or both, would result in the violation of or default under, the terms of any judgment, decree, order injunction or writ of any court or other Government Authority with respect to the Business, which would have a Material Adverse Effect.
- (k) **Corporate Records.** The corporate records and minute books of the Corporation in the Data Room are in all material respects a complete and accurate record of the material business transacted at meetings of, and contain all resolutions passed by, the directors and the sole shareholder of the Corporation held since the incorporation of the Corporation. To the Vendor's knowledge, each and all such meetings were duly called and held and all such resolutions and by-laws were duly passed. The share

certificate books, registers of shareholders, registers of transfers, registers of directors and other corporate registers are complete and accurate.

(l) **Real Property.**

- (i) Schedule 3.1(l) sets forth a list of lands owned in fee simple (the “**Real Property**”) and property leased (the “**Leased Property**”) by the Corporation and Easements held by the Corporation.
- (ii) To the Vendor’s knowledge, the Corporation has not agreed to acquire or lease, any real property other than as listed in Schedule 3.1(l).
- (iii) Neither the Vendor, nor the Corporation, has received any, nor to the Vendor’s knowledge, are there any pending or threatened, notices of violation or alleged violation of any Applicable Laws against or affecting any Real Property or Leased Property.
- (iv) To the Vendor’s knowledge, the Real Property and Easements provide the required rights of occupancy, possession, use, entry and exit, as applicable, as are reasonably necessary to carry on the Business.
- (v) Other than listed in Schedule 3.1(l), no Person has any right to purchase any of the Real Property and no Person other than the Corporation is using or has any right to use, is in possession or occupancy, of any part of the Real Property.
- (vi) Other than the transfer of the Town Property in accordance Section 2.6, neither the Vendor, nor the Corporation, has entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of the Corporation in and to Real Property, Leased Property, or Easements, except any Permitted Encumbrances.
- (vii) Neither the Vendor, nor the Corporation, has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on the Real Property, Leased Property, Easements or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by laws) with Applicable Law, including without limitation, building and zoning by-laws and regulations, and to the Vendor’s knowledge, no by-law which would reasonably be expected to have a Material Adverse Effect on the Business is currently being contemplated by the Vendor.
- (viii) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets on Real Property, Leased Property or Easements have been fully paid and, to the Vendor’s knowledge, no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work.
- (ix) To the Vendor’s knowledge, there are no matters affecting the right, title and interest of the Corporation, as applicable, in and to the Real Property, Leased

Property or Easements which would have a Material Adverse Effect on the ability of the Corporation to carry on its Business thereon.

- (m) **Intellectual Property.** Schedule 3.1(m) sets forth and describes all trade secrets and any licensed property or technology used in whole or in part by the Business, and all material trademarks, trade names, service marks, brand names, patents, copyrights, industrial designs and other industrial property rights, and all applications therefor, in each case specifying whether the item is owned by the Corporation or is used by the Corporation under a licence agreement or arrangement from another Person.
- (n) **Employment Contracts and Commitments.** Except as set forth in Schedule 3.1(n), the Employee Fact Sheet or the Confidential Disclosure Schedule, the Corporation is not party to or bound by any of the following:
 - (i) any offer, employment or consulting Contract or any other written Contract with any officer, employee or consultant, including any agreements or arrangements relating to compensation, other than oral Contracts of indefinite hire terminable by the Corporation without cause on reasonable notice;
 - (ii) subject to any restrictions and conditions in OEB licences or Applicable Laws, contract or commitment limiting the freedom of the Corporation to engage in any line of business or to compete with another Person; or
 - (iii) any agreement obligating the Corporation to provide payment to any employee or other compensation or benefits upon or as a result of the consummation of the transactions contemplated by this Agreement.
- (o) **Material Contracts.** The Vendor has previously delivered by placing them in the Data Room, true and complete copies of all Material Contracts, all of which are in full force and effect and unamended and no material default exists under any such Material Contract on the part of the Corporation or, to the knowledge of the Vendor on the part of any other party to such Contracts, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract. Schedule 3.1(o) sets forth a list of all Material Contracts other than purchase orders entered into in the ordinary course of business and the customers of the Corporation.
- (p) **Employee Plans.**
 - (i) Except as set forth in the documents contained in the Data Room in the folder labelled “Benefit Plans” and set forth in Schedule 3.1(n) and Schedule 3.1(p), the Corporation is not party to, bound by, subject to and does not have any liability relating to any employment agreement or any agreement or arrangement described in Section 3.1(n), salary, wages, deferred compensation, bonus, incentive or other compensation, commission, fee, profit sharing, severance, termination pay, supplementary employment insurance, vacation entitlements, insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care, arrangements for personal use of any corporate assets based on past practice and other similar

benefits, plans or arrangements, including as may be included in any Collective Agreement (the “**Employee Plans**”), whether funded or unfunded, formal or informal, written or unwritten, that is maintained, contributed to, or required to be maintained or contributed to, by the Corporation, or to which the Corporation is a party, for the benefit of the Employees and their respective beneficiaries and dependents, other than Statutory Plans.

- (ii) Other than the OMERS Plan, the Purchaser has been provided access to a true and complete copy of each Employee Plan (as amended to date) together with true and complete copies of all material documents relating to each Employee Plan, including, as applicable, all current booklets, summaries, notices or manuals prepared for or circulated to Employees generally concerning each Employee Plan.
- (iii) All obligations of the Corporation due prior to Closing under the Employee Plans and the Statutory Plans (whether pursuant to the terms thereof or any Applicable Law) have been or will be satisfied in all material respects as of the Closing, including any requirement to make or deduct contributions in respect of an Employee Plan or a Statutory Plan.
- (iv) Other than the OMERS Plan, with respect to which the Vendor makes no representation or warranty in this respect, all Employee Plans are, and have been, established, registered (where required by Applicable Laws), and administered, in material compliance with (i) the terms thereof; and (ii) all Applicable Law; and neither the Vendor, nor the Corporation has received, in the last two (2) years, any notice from any Person questioning or challenging such compliance (other than claims for benefits in the ordinary course), nor does the Vendor, have any knowledge of any such notice from any Person questioning or challenging such compliance beyond the last two (2) years. Except as disclosed in Schedule 3.1(p), and other than the OMERS Plan or as set out in the Collective Agreement, there are no promised improvements, increases or changes to, the benefits provided under any Employee Plan, nor does any Employee Plan provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.
- (v) Except as disclosed in Schedule 3.1(p), no Employee Plan, other than the OMERS Plan, provides benefits beyond retirement or other termination of service to Employees or former employees of the Corporation or to the beneficiaries or dependants of such Employees or former employees. Other than the OMERS Plan, with respect to which the Vendor makes no representation in this respect, no Employee Plan requires or permits a retroactive increase in premiums or payments.
- (vi) All employee data necessary to administer the Corporation’s participation in the Employee Plans is in the possession of the Corporation and is complete and correct in all material respects and in a form which is sufficient in all material

respects for the proper administration of the Corporation's participation in the Employee Plans in accordance with the terms thereof and all Applicable Laws.

- (vii) Other than the OMERS Plan, there are no pension or retirement plans or arrangements in which Employees or former employees of the Corporation participate and/or to which the Corporation contributes to in respect of such Employees or former employees.

(q) **Labour Matters.**

- (i) Except as set forth in Schedule 3.1(q) (the "**Collective Agreement**") the Corporation is not a party to or bound by or subject to any agreement or arrangement with any labour union or employee association and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement.
- (ii) There is no strike or lockout occurring or affecting, or to the Vendor's knowledge threatened against, the Corporation.

(r) **Employees.**

- (i) The Purchaser has been provided with a complete and accurate confidential list of the names of all individuals who are employees of the Corporation (the "**Employees**") specifying name, job title, birth date, hire date, professional designation, whether they are union or non-union, regular hours of work, hourly rate and annual salary to which they are entitled (the "**Employee Fact Sheet**").
- (ii) Except as disclosed in the Employee Fact Sheet, no Employee is on disability or other type of leave, or receiving benefits pursuant to the *Workplace Safety and Insurance Act* (Ontario).
- (iii) The Corporation has been operated in material compliance with all Applicable Laws relating to employees, including employment standards and all laws relating to full or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed in the Employee Fact Sheet:
 - (A) there have been no Claims in the past four (4) years nor, to the best of the Vendor's knowledge, are there any threatened Claims, under such laws against the Corporation;
 - (B) to the Vendor's knowledge, nothing has occurred in the past four (4) years which might lead to a Claim or complaint against the Corporation, under any such laws; and

- (C) there are no outstanding decisions or settlements or pending settlements which place any obligation upon the Corporation to do or refrain from doing any act with respect to its Employees.
- (iv) All assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business of the Corporation have been paid or accrued and the Corporation is not subject to any special or penalty assessment under such legislation which has not been paid.
- (s) **Insurance.** Schedule 3.1(s) sets forth all material insurance policies, other than those already disclosed in the Schedule 3.1(p), (specifying: the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims thereunder, maintained by the Corporation on its Property or personnel, including former personnel) of the Business.
- (t) **Environmental.**

To the knowledge of the Vendor and except as disclosed in the Confidential Disclosure Schedule:

- (i) the Business conducted on or at the Real Property and Leased Property while occupied or used by the Corporation, has been and is now in compliance in all material respects with all applicable Environmental Laws. Any Release by the Corporation, of any Hazardous Substance into the Environment complied and complies in all material respects with all applicable Environmental Laws;
- (ii) the Corporation has obtained all requisite Environmental Approvals required for the operation of the Business as it is currently conducted, each Environmental Approval is valid and in full force and effect, has been and is being complied with in all material respects and there have been and are no proceedings commenced or threatened to revoke or amend any Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect. The Confidential Disclosure Schedule lists all of the Environmental Approvals held by the Corporation;
- (iii) The Corporation has not been and is not now the subject of any Remedial Order, any investigation or evaluation threatened or commenced as to whether any such Remedial Order is necessary; and
- (iv) The Corporation has never been prosecuted for or convicted of any offence under Environmental Laws, nor has it been found liable in any proceeding to pay any damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Laws. No notice has been received by the Vendor or by the Corporation of any investigation or evaluation by any Governmental Authority or of any Claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence under Environmental Laws by any of the foregoing has occurred.

There are no Claims that have been threatened or commenced against the Corporation as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws.

- (u) **Litigation.** Except as set out in the Confidential Disclosure Schedule, there are no Claims (whether or not purportedly on behalf of the Corporation) pending or, to the Vendor's knowledge, threatened against or affecting, the Corporation at law or in equity, or before or by any Governmental Authority, or by or before an arbitrator or arbitration board which, either individually or in the aggregate, could result in an order greater than \$250,000 to the Corporation or for injunctive relief or prevent the Vendor from fulfilling any of its obligations set out in, or arising in connection with, this Agreement.
- (v) **Taxes.**
- (i) The Corporation is, and has been at all material times, exempt from Tax under the Tax Act and the CTA but is required to make PILS payments under the EA in an amount equal to the Tax that it would be liable to pay under the Tax Act and CTA if it were not exempt from Tax under those statutes.
- (ii) The Corporation has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions with respect to taxation periods ended within four (4) years prior to the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. The Corporation has never been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Ontario or Canada. The Corporation has paid in full when due all Taxes and all instalments of Taxes due prior to the Closing Date. There are no liens for unpaid Taxes on any of the Corporation's Property. Without restricting the generality of the foregoing, all Taxes shown on all Tax Returns or on any assessments or reassessments in respect of any such Tax Returns have been paid in full when due except to the extent that the Corporation has properly objected to such assessments or reassessments in accordance with Applicable Law and has taken adequate provisions in the Closing Date Financial Statements as a current liability.
- (iii) Assessments under the EA have been issued to the Corporation covering all periods up to and including its fiscal year ended December 31, 2015.
- (iv) There are no audits, assessments, reassessments or other Claims in progress or, to the knowledge of the Vendor, threatened against the Corporation, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes except for those items listed in Schedule 3.1(v). The Vendor is not aware of any contingent liability of the Corporation for Taxes or any grounds that could prompt an assessment

or reassessment for Taxes, and the Corporation has not received any indication from any Governmental Authority that any assessment or reassessment is proposed with respect to the Pre-Closing Tax Period.

- (v) The Corporation has not entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, nor the payment of any Taxes by or in respect of the Corporation. The Corporation is not a party to any agreements or undertakings with respect to Taxes.
- (vi) The Corporation is a registrant for purposes of the ETA, and its HST registration number is 865749386RT. During the past four (4) years, all input tax credits claimed by the Corporation pursuant to the ETA have been proper, correctly calculated and documented. The Corporation has collected and timely remitted to the appropriate Governmental Authority when due all Taxes (including all HST) as required by tax legislation.
- (vii) The Corporation has timely deducted, withheld, collected and remitted when due to each Governmental Authority, all Taxes which it is required to deduct, withhold, collect and remit during the past four (4) years. Without limiting the generality of the foregoing, the Corporation has withheld from each amount paid or credited or deemed to have been paid or credited, and each taxable benefit conferred upon or distribution paid or deemed to have been paid to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including without limitation, all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper Governmental Authority within the time required under any applicable legislation.
- (viii) The Corporation has not received any requirement, demand or request from any Governmental Authority pursuant to section 224 of the Tax Act or any similar provision of Applicable Law that remains unsatisfied in any respect.
- (ix) The Corporation is not party to, bound by or obligated under; nor made any undertaking regarding any Tax allocation, indemnity or sharing contract or arrangement such that it could be liable for the Taxes of any other Person as a transferee or successor, by contract or otherwise.
- (x) The Corporation is a corporation to which paragraph 149(1)(d.5) of the Tax Act applies, the income of which is restricted to activities in Ontario as a distributor of electrical energy within the meaning of paragraph 149(1.2)(b).
- (w) **Ownership of Property.** The Corporation is the sole legal and beneficial, and where interests are registerable, the sole registered owner, of all of the Property used in

connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of the Business with good and valid title thereto free and clear of all Encumbrances other than in respect of the Real Property, Leased Property or Easements, with good and marketable title to the Real Property in fee simple, which may be subject to (i) minor Easements for the supply of utilities, and (ii) Permitted Encumbrances. As of the Effective Date, leases for the Leased Property disclosed to the Purchaser are in good standing and unamended. All of the Fixed Assets used in connection with or operation of the Business are in good working order, reasonable wear and tear having regard to such assets' respective ages excepted, and have been properly and regularly maintained in material compliance with all Applicable Laws and good utility practice except where any such non-compliance could not reasonably be expected to have a Material Adverse Effect on the Corporation. There has been no assignment, subletting or granting of any licence (of occupation or otherwise) of or in respect of any material aspect of such Property or any granting of any contract or right capable of becoming a Contract or option for the purchase of any material aspect of such Property other than pursuant to the provisions of, or as disclosed in, this Agreement.

- (x) **Financial Statements.** The Initial Financial Statements were prepared and the Closing Date Financial Statements will be prepared in accordance with IFRS applied on a basis consistent with that of the preceding period and present, or will present (in the case of the Closing Date Financial Statements), fairly:
- (i) in the case of the Initial Financial Statements, all of the assets, liabilities and financial position of the Corporation as at December 31, 2015, and the sales, earnings, results of operation and changes in financial position of the Corporation for the 12 month period then ended; and
 - (ii) in the case of the Closing Date Financial Statements, the assets, liabilities and financial position of the Corporation as at the Time of Closing.
- (y) **Licences.** Schedule 3.1(y) sets out a complete list of all licences, permits, approvals, consents, certificates, registrations and authorizations (collectively, the “**Licences**”) held by or granted to the Corporation, and there are no other licences, permits, approvals, consents, certificates, registrations or authorizations necessary to carry on the Business. Each Licence is valid, subsisting and in good standing and the Corporation is not in default or in breach of any Licence and, to the best of the Vendor's knowledge, no proceeding is threatened or pending to revoke or limit any Licence.
- (z) **Bank Accounts.** The Confidential Disclosure Schedule sets forth a complete list of every financial institution in which the Corporation maintains any depository account, trust account or safety deposit box and the names of all Persons authorized to draw on or who have access to such accounts or safety deposit box.
- (aa) **Absence of Guarantees.** The Corporation has not given, agreed to give nor shall give, nor is a party to or bound by, any guarantee or indemnity in respect of

indebtedness, or other obligations, of any Person, or any other commitment by which the Corporation is, or is contingently, responsible for such indebtedness or other obligations.

- (bb) **Limitation.** The Vendor makes no representation or warranty to the Purchaser except as specifically set forth in this Agreement and this Agreement contains all representations and warranties of the Vendor relating to the Purchased Shares and the Transaction.
- (cc) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.1 to which such disclosure would be reasonably apparent to a Person other than the Vendor or the Corporation. Notwithstanding anything else contained herein, the Vendor shall have no liability to the Purchaser with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.1 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto and its relevance to such first particular representation or warranty would be reasonably apparent to a Person other than the Vendor or the Corporation.

3.2 Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on such representations and warranties in connection with the Transactions contemplated herein:

- (a) **Organization.** The Purchaser is a corporation duly incorporated and validly subsisting corporation under the laws of Ontario and has the corporate power to own or lease its property and assets and to carry on the business presently carried on by it.
- (b) **Corporate Power of the Purchaser and Due Authorization.** The Purchaser has all requisite corporate power, authority and capacity to enter into, and to perform its obligations under this Agreement. The Purchaser has duly taken, or has caused to be taken, all corporate action required to be taken by the Purchaser to authorize the execution and delivery of this Agreement by the Purchaser in the performance of its obligations hereunder and has the financial ability to complete the Purchase and pay the Purchase Price.
- (c) **Binding Agreement.** This Agreement has been duly executed by the Purchaser and will, upon delivery, constitute a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (d) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:
- (i) any provision of the constating documents, by laws or any unanimous shareholder agreement of the Purchaser;
 - (ii) any Contract to which the Purchaser is a party or by which the Purchaser or any of its property or assets is bound, which would have a Material Adverse Effect on the Purchaser's ability to perform its obligations under this Agreement; or
 - (iii) subject to obtaining the regulatory approvals set forth in Article VII, any terms or provisions of any Applicable Law of any authority having jurisdiction over the Purchaser which would have a Material Adverse Effect on the Purchaser's ability to perform its obligations under this Agreement.
- (e) **Investment Canada Act.** The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada). The Purchaser is not a "non-resident" for tax purposes.
- (f) **Financial Capability.** The Purchaser has sufficient funds in place or has binding commitments to obtain funds to pay the Purchase Price on the Closing Date on the terms and conditions contained in this Agreement.
- (g) **Consents and Approvals.** Except for the Required Approval and those listed in Schedule 3.2(g), there is no requirement for the Purchaser to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Transactions contemplated by this Agreement.
- (h) **Litigation.** There is no legal proceeding in progress, pending, threatened against or affecting the Purchaser and, to the best of the knowledge and belief of the Purchaser, there are no grounds on which any such legal proceeding might be commenced with any reasonable likelihood of success and no judgment, decree, injunction, ruling, order or award of any tribunal outstanding against or affecting the Purchaser which, in any such case, might prevent the ability of the Purchaser to enter into this Agreement or to perform its obligations hereunder.
- (i) **Crown Corporation.** The Purchaser is not a crown corporation as described in paragraph 149(1)(d) or (d.2) of the *Tax Act*.
- (j) **Municipal Electrical Utility.** The Purchaser is, and will be at Closing, (i) a municipal electricity utility within the meaning of Section 88 of the EA, and (ii) exempt from tax under subsection 149(1) of the *Tax Act*.
- (k) **Limitation.** The Purchaser makes no representation or warranty to the Vendor except as specifically set forth in this Section 3.2 and this Agreement contains all

representations and warranties of the Purchaser relating to the Transactions contemplated hereby.

- (l) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.2 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Purchaser shall not have any liability to the Vendor with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.2 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

ARTICLE IV SURVIVAL OF COVENANTS, AND REPRESENTATIONS AND WARRANTIES

4.1 Survival

- (a) All of the covenants and representations and warranties contained in this Agreement, including this Article IV, will survive the Closing.
- (b) The representations and warranties of the Vendor set out in Section 3.1 shall continue in full force and effect for the benefit of the Purchaser provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of two (2) years from the Closing Date and, upon the expiry of such limitation period, the Vendor shall have no further liability to the Purchaser with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Purchaser to the Vendor in writing prior to the expiration of such period, provided that the representations and warranties of the Vendor set out in Section 3.1(t) (Environmental) shall survive the Closing and continue in full force and effect until, but not beyond, the third anniversary of the Closing Date and the representations and warranties of the Vendor set out in Section 3.1(v) (Taxes) shall survive the Closing and continue in full force and effect until, but not beyond, the fourth anniversary of the Closing Date.
- (c) The representations and warranties of the Purchaser set out in Section 3.2 shall continue in full force and effect for the benefit of the Vendor provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of two (2) years from the Closing Date and, upon the expiry of such limitation period, the Purchaser shall have no further liability to the Vendor with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Vendor to the Purchaser in writing prior to the expiration of such period, provided that the representation and warranty of the Purchaser set out in Section 3.2(j) shall survive Closing and continue in full force and effect until, but not beyond, the fourth anniversary of the Closing Date.

ARTICLE V
COVENANTS OF THE VENDOR

5.1 Access to the Corporation. The Vendor shall forthwith make available to the Purchaser and its authorized Representatives in the Data Room copies of all title documents, Contracts, financial statements, policies, plans, reports, licences, orders, permits, books of account, accounting records and all other material documents, information and data relating to the Business in the possession of the Corporation. The Vendor shall afford the Purchaser and its authorized Representatives access to the Property of the Corporation upon written request and at least five (5) Business Days' prior written notice during the Corporation's normal business hours and provided that the Purchaser and its Representatives shall not impede the day-to-day operation of the Business. The Purchaser shall not undertake any drilling or subsurface investigations under any of the Real Property except with the prior approval of the Vendor in the discretion of the Vendor. The Vendor and the Purchaser shall co-operate in good faith in arranging any confidential meetings as the Purchaser should reasonably request with senior executives of the Corporation employed in the Business.

5.2 Conduct of Business Prior to Closing. During the period from the date of the Initial Financial Statements to the Closing Date, the Vendor has caused and shall cause the Business of the Corporation to be conducted in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement), and shall not permit or authorize the Corporation to sell or otherwise dispose of any of its Property, other than sales or dispositions of Property in the ordinary course not exceeding Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate, other than the transfer of the Town Property in accordance with Section 2.6. Other than those dispositions listed in Schedule 5.2, the Vendor shall obtain Purchaser's prior written approval if the amount of such disposition or sale is greater than Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate, such approval not to be unreasonably withheld or delayed. The Parties further expressly acknowledge that, notwithstanding anything herein contained, during the period from execution of this Agreement to the Closing Date, the Corporation shall be permitted to declare and pay dividends to the Vendor out of cash on hand, and to convey or transfer, whether by dividend in kind or otherwise, the Town Property in accordance with Section 2.6.

5.3 Delivery of Books and Records.

- (a) At the Time of Closing, the Vendor shall cause the Corporation to make the Books and Records available to the Purchaser; and
- (b) Notwithstanding Section 5.3(a), the Vendor shall be entitled to retain copies of any documents or other data delivered to the Purchaser pursuant to Section 5.3(a) provided that those documents are reasonably required by the Vendor to perform its obligations hereunder or under Applicable Law.

5.4 Resignation of Directors and Officers. The Vendor shall cause all of the directors and officers of the Corporation to:

- (i) in the case of the directors of the Corporation, resign in favour of the nominees of the Purchaser, such resignations to be effective at the Time of Closing;
- (ii) in the case of the officers of the Corporation, resign as officers, to be effective at the Time of Closing, but will continue in senior management roles with the Corporation or its successor; and
- (iii) execute and deliver mutual releases in form and substance satisfactory to the Purchaser, acting reasonably (A) from such individuals in favour of the Corporation of all Claims they may have against the Corporation (other than in respect of unpaid fees, compensation, salaries and accrued vacation pay), and (B) in favour of such individuals from all Claims the Corporation may have against them.

5.5 Transfer of Purchased Shares. At the Time of Closing, the Vendor shall take, and shall cause the Corporation to take, all necessary steps and proceedings to permit the Purchased Shares to be duly and validly transferred to the Purchaser and to have such transfers duly and validly recorded on the books of the Corporation so that the Purchaser is entered onto the books of the Corporation as the holder of the Purchased Shares and to issue share certificates to the Purchaser representing the Purchased Shares.

ARTICLE VI COVENANTS OF THE PURCHASER

6.1 Employment Guarantee and Location Guarantees. The Purchaser hereby covenants and agrees that it will, subject to its rights to dismiss for just cause and the remaining provisions of this Section 6.1, continue or otherwise cause the continued employment with the Corporation, the Purchaser or an Affiliate of the Purchaser of each Employee who is an Employee of the Corporation on the Closing Date in the Town of Midland on the same terms of their respective employment as at the Closing Date (other than titles of Employees who are officers) as outlined in the Employee Fact Sheet, including the same or not less favourable: (i) benefits in the aggregate; (ii) compensation; and (iii) position and seniority. The Purchaser's covenant in this Section 6.1 in respect of each Employee of the Corporation on the Closing Date will commence on the Closing Date and end on the earliest of (i) the exercise by the Purchaser of its just cause dismissal rights as described in the immediately preceding sentence with respect to such Employee, (ii) the retirement of such Employee, and (iii) the voluntary or mutually agreed departure, or resignation of such Employee. Notwithstanding the foregoing, the Vendor acknowledges and agrees with the Purchaser that the Purchaser may consolidate the administrative functions in Port McNicoll upon the expiry of the lease to be entered into between the Vendor and the Corporation set forth in Section 6.17(c), which will not be for less than 10 years, and the operation functions at any time after the fifth anniversary of the Closing Date. All Employees will be eligible for training and professional development programs offered by the Purchaser. The foregoing shall not prohibit the relocation of Employees with their prior consent. From and after the Closing Date, Employees may apply for positions within the Purchaser and its Affiliates and will be considered for such positions on a fair and equitable basis with other employees of the Purchaser and its Affiliates, with credit for their seniority and service with the Corporation.

6.2 Participation in Community Events and Programs. After Closing, the Purchaser shall or the Purchaser shall cause the Corporation to provide community assistance to the Vendor and the community of Midland by carrying out such initiatives, all without charge to the Vendor, as listed in Schedule 6.2 or as may otherwise be directed by the Advisory Committee.

6.3 Economic Development in the Community. The Purchaser agrees to support local businesses by continuing all existing arrangements listed in Schedule 6.3 in accordance with the terms of the ancillary agreement to be entered into between the Vendor and the Purchaser in accordance with Section 6.17(e).

6.4 Advisory Committee. Subject to the provisions of Section 6.5(a), the Purchaser shall establish a municipal advisory committee (the “**Advisory Committee**”) as soon as practicable after the Closing Date to provide a forum for communication and continuing dialogue between the Purchaser and the Vendor. The Advisory Committee will receive information on, and provide input and feedback on, the provision of utility distribution services in the Town of Midland, with emphasis on such matters as quality of service, reliability, safety, presence in the community, growth and other matters of particular concern to Town of Midland residents. The Advisory Committee will function as the primary conduit to ensure regular and ongoing dialogue between the Purchaser after Closing and the Town of Midland. In establishing the Advisory Committee, the Vendor has the right to appoint up to three (3) representatives to the Advisory Committee. The Purchaser has the right to appoint up to three (3) senior officials as its representatives. The Advisory Committee will meet on a regularly scheduled basis, being at least six (6) times per year for the first five (5) years following the Closing Date, then quarterly thereafter.

6.5 Board Representation.

(a) The Vendor may, at its option, nominate an individual for the board of directors of the Corporation, or any successor (including the Purchaser), for an eighteen-month period following the Closing. Further, at the option of the Vendor, after such eighteen-month period a representative of the Vendor will have the right to be an observer at meetings of the board of directors of the Corporation, or its successor, and speak to the issues being considered. For clarity, such observer will have no right to vote as a director of the Corporation, or its successor, with respect to any matter brought before the board of directors. Such observer will be entitled to receive all notices and material relative to any such meeting of the board of directors of the Corporation; provided, however, that any such notice(s) and material(s) shall be deemed confidential. The board of directors may excuse any or all observers from any meeting of the board of directors, if, at any time, in the opinion of the board of directors, any matter under discussion or consideration by the board of directors should not be disclosed to an observer for reasons including the confidentiality or sensitivity of such matter or a potential conflict of interest as between the Corporation’s, or its successor’s, business interests and those of such observer or the Vendor. If the Vendor chooses to exercise either option under this Section 6.5(a), the provisions of Section 6.4 shall be of no further force or effect, and all references to “**Advisory Committee**” herein shall be to the board of directors of the Corporation, or its successor.

- (b) For a period of no less than five (5) years following the Closing Date, the Purchaser shall advertise any board of director vacancies of the Corporation, or its successor, in the Town of Midland pursuant to substantially similar standards and methods for advertising used by the Purchaser in Newmarket and in the Township of Tay. The Purchaser will consider any such applicants from the Town of Midland on a fair and equitable basis with other candidates of the Purchaser.

6.6 Employee Related Matters. The Purchaser acknowledges that from and after the Closing, it shall be responsible for all obligations owing to present and former Employees of the Corporation relating to such employment, including all obligations and liabilities relating to wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other employee benefits or Claims, including vacation pay, and Employee Plans regardless of whether these arose before or after Closing. From and after the Time of Closing the Purchaser shall indemnify and save harmless the Vendor from and against any and all losses, damages, expenses, liabilities, Claims and demands whatsoever made or brought against the Vendor by any person or Employee, association or trade union or by any Governmental Authority or any other Person or body which in any way pertains to or arises out of such liability including, without limiting the generality of the foregoing, any and all losses, damages, expenses, liabilities, Claims and demands whatsoever with respect to wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other employee benefits or Claims, including vacation pay, and Employee Plans and including any interest, award, judgment or penalty relating thereto and any costs or expenses incurred by the Vendor in defending any such Claim or demand. The general procedures regarding notice and procedures regarding indemnification Claims set forth in Article XII shall apply to all Claims for indemnification made under this Section 6.6.

6.7 Continued Pole Access and Charges. Following Closing, the Purchaser agrees to:

- (a) grant perpetual access to the Vendor (and any other public sector entity the Vendor may so authorize) to use the hydro poles owned by the Corporation within the Town of Midland, Ontario for the purposes of street lighting, traffic signals, fibre optic and other communication lines, signs and other municipal attachments in accordance with the terms and conditions of a joint use pole agreement to be executed and delivered by the Parties (the “**Joint Use Agreement for Power Utility Distribution Poles**”); and
- (b) provide such perpetual access to the Vendor under the Joint Use Agreement for Power Utility Distribution Poles free of charge.

6.8 Service Quality and Service Standards. The Purchaser shall meet or exceed current service levels and service quality for the period from 2017 to 2022 as determined by the metrics listed in Schedule 6.8, subject to force majeure events and provided that enforcement and remedies in respect of any breach by the Purchaser of its covenant under this Section 6.8 will be available against the Purchaser under the Distribution System Code and further provided that the Vendor may refer any failure to meet such service level or service quality to the Advisory Committee or board of directors of the Purchaser, as applicable, for discussion and consultation on appropriate courses of action.

6.9 Smart Grid, Conservation and Demand Management and Smart Meters. Following Closing, the Purchaser will place continued importance on smart grid development and conservation and demand management initiatives in the operations of the Corporation or any successor by integrating such matters into its joint conservation and demand plan filed by the Purchaser and several other municipal electric utilities with the OEB.

6.10 Broadband. The Purchaser, through an entity to be formed, Envi Networks (“**Envi**”), has developed a business plan for the deployment of ultra-high speed networks (“**Broadband**”) in Newmarket and is supporting the Township of Tay’s initiative with the Town of Midland, Penetanguishene and the Township of Tiny to implement Broadband. The Purchaser will use best efforts to facilitate any future arrangements between the Vendor and Envi to pursue the deployment of Broadband in the Town of Midland.

6.11 Capital Plans. The Purchaser will act in good faith and use commercially reasonable efforts to: (i) make expenditures in accordance with the Corporation’s current capital plan; (ii) in some instances, such as, possibly, underground cable rehabilitation, look to spend more or spend sooner than what is provided for in the Corporation’s current capital plan; (iii) potentially redeploy the \$1,500,000 in the Corporation’s current capital plan expected to be spent in 2019 on buildings or on other capital projects.

6.12 Unembedded Distribution. As soon as practicable following the Closing Date, the Purchaser shall prepare a working plan to un-embed the service territories of the Township of Tay and the Town of Midland through a direct connection to the Independent Electricity System Operator controlled grid at the Waubashene transformer station (the “**Unembedded Distribution Plan**”). The Purchaser shall use commercially reasonable efforts to implement the Unembedded Distribution Plan within three (3) to five (5) years following the Closing. The Purchaser will work with the Advisory Committee on the formulation, development and implementation of the Unembedded Distribution Plan at each meeting of the Advisory Committee.

6.13 Engagement in respect of the Transaction The Purchaser will follow the guidelines as established by the OEB with respect to notice requirements for the regulatory approval application in respect of the Transaction. Preceding this process, the Purchaser also agrees to hold, at the option of the Vendor, three (3) public information sessions in three different locations in the Town of Midland and create a dedicated website including all necessary information that could be accessed by a link from the Corporation’s website and the Purchaser’s website. The Purchaser will hold at least one information session between the President or other senior executive officers of the Purchaser and the Corporation’s employees to address any questions or concerns and establish a transition plan aimed at integrating the combining workforces, including organizing team building events.

6.14 Rates and Rate Harmonization. Subject to any requirements of Applicable Law or prescribed requirements of the OEB, the Purchaser agrees and covenants with the Vendor that for a period of ten (10) years following the Closing the Purchaser will, at a minimum, maintain the existing rates for the customers of the Corporation adjusted solely by the Price Cap Incentive Rate-setting option, or any amendment, modification, successor or replacement thereof, established by the OEB. Subject to any requirements of Applicable Law or prescribed requirements of the OEB, the Purchaser will use commercially reasonable efforts to harmonize

rates for the customers of the Purchaser and the Corporation during the eleventh (11th) year following the Closing.

6.15 Books and Records. The Purchaser shall preserve the Books and Records delivered by the Vendor to it pursuant to Section 5.3 for a period of eight (8) years from the Closing Date, or for such longer period as is required by any Applicable Law, and will permit the Vendor or its authorized Representatives reasonable access thereto in connection with the affairs of the Vendor relating to its matters.

6.16 Continued Use of Name. Provided that as at the Closing Date the Corporation has all necessary rights and interests in such intellectual property without material adverse claims of others the Purchaser covenants and agrees with the Vendor that it shall continue to use the name “Midland Power” and its related branding within the Corporation’s service territory for a period of ten (10) years following the Closing Date, including on customer bills or invoices, as well as maintaining signage existing as at the Closing Date in the service territory in the name of Midland Power. This Section 6.16 is subject to there being no threatened or actual litigation arising from rights in or to the “Midland Power” name prior to the Closing Date.

6.17 Ancillary Agreements. The Parties hereby covenant and agree that on the Closing Date, each Party shall enter into the following agreements, as applicable (“**Ancillary Agreements**”):

- (a) **Joint Use Agreement for Power Utility Distribution Poles.** For purposes of municipal attachments on hydro poles within the Town of Midland, the Vendor and the Purchaser will enter into the Joint Use Agreement for Power Utility Distribution Poles.
- (b) **Agreements with the Vendor.** For the applicable period set out in Schedule 6.11(b), the Parties agree to maintain the agreements that the Corporation has entered into with the Vendor listed in Schedule 6.17(b) and the Purchaser agree to compensate the Vendor for the direct losses the Vendor experiences from the cancellation, cessation, or any changes to the service agreements listed in Schedule 6.17(b) arising from the breach by the Corporation of the terms thereof.
- (c) **Town Property Lease.** The Corporation and the Vendor will enter into a lease in respect of the Town Property substantially in the form attached to this Agreement for a total lease term up to but not to exceed 49 years.
- (d) **Amended and Restated Leases for the Leased Property.** The Corporation and the Vendor will enter into an amended and restated long-term lease agreement in respect of the Leased Property substantially in the form attached to this Agreement which will extend the term of the lease for 49 years and provide for customary arm’s length provisions, and such amended and restated long-term lease agreement will be registered on title prior to Closing.
- (e) **In-kind Services.** The Corporation and the Vendor will enter into an agreement in respect of the community in-kind services and economic development in the community listed in Schedules 6.2 and 6.3.

6.18 Confidentiality.

- (a) Each Party hereby covenants and agrees that it shall keep confidential and not use (except for the purposes of the Transaction) or disclose except as required by Applicable Law, any and all information received by it from the other Party leading up to or in connection with the execution of this Agreement and completion of the Transactions contemplated hereby, whether or not received prior to or after the Effective Date, concerning the business and affairs of the other Party or its Affiliates.
- (b) In the event that this Agreement is terminated in accordance with the provisions hereof,
 - (i) the Purchaser hereby covenants and agrees that it, and its Affiliates, shall keep confidential, in accordance with the terms of and subject to the exceptions in the Confidentiality Agreement, any and all Confidential Information received by the Purchaser from the Vendor, whether or not received prior to or after the date of this Agreement.
 - (ii) the Purchaser shall:
 - (A) promptly return to the Vendor all documents, computer disks, other forms of electronic storage or other materials furnished by the Vendor, or the Corporation or by any of its respective Representatives to the Purchaser or its Representatives constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of the Purchaser or its Representatives and materials generated by the Purchaser or its Representatives that include or refer to any part of the Confidential Information, without retaining a copy of any such material; or
 - (B) alternatively, provided that the prior written consent of the Vendor has been obtained, promptly destroy all documents or other matters constituting Confidential Information in the possession or under the control of the Purchaser or its Representatives;and the Purchaser shall confirm such return and/or destruction of Confidential Information to the Vendor in writing and certified by two senior officers of the Purchaser;
 - (iii) the Purchaser shall promptly destroy the portion of the Confidential Information which consist of analyses, compilations, forecasts, studies, other material or documents prepared by the Purchaser or its Representatives and shall confirm such destruction in writing and certified by two senior officers of the Purchaser;
 - (iv) any oral or visual Confidential Information will continue to be subject to the terms of the Confidentiality Agreement and the terms of this Section 6.18; and

- (v) the Purchaser shall not, directly, use for its own purposes, any Confidential Information discovered or acquired by the Purchaser's Representatives as a result of the Vendor, or the Corporation making available to them any Confidential Information.
- (c) The Vendor hereby covenants and agrees that it shall keep confidential and not use or disclose any and all information received by it from the Corporation or its successor in accordance with Sections 6.15 and 6.18(a) concerning the business and affairs of the Corporation or its successor; provided that the Vendor may disclose such information:
 - (i) to its Representatives provided that (x) prior to disclosing such information to any such Representative, issue appropriate instructions to such Representative with respect to the restrictions that apply to such information and obtain the Representative's agreement to receive and use such information on a confidential basis on the same conditions as contained in this Section 6.18(c); and (y) the Vendor will be responsible for any and all breaches of the terms of this Section 6.18(c) by its Representatives; and
 - (ii) as required by Applicable Law, but must first provide the Corporation or its successor with prompt notice of such request or requirement, unless notice is prohibited by law, in order to enable the Corporation or its successor to seek an appropriate protective order or other remedy or to waive compliance with this provision or both and, if such protective order fails, use reasonable efforts to ensure that the disclosure will be afforded confidential treatment.

6.19 Survival. The covenants contained in this Article VI shall survive the Closing Date in accordance with Section 4.1(a). Notwithstanding Section 4.1(a), the Vendor acknowledges and agrees with the Purchaser that the covenants and obligations of the Purchaser set forth in Section 6.5(a) (Board Representation), Section 6.7(b) (Continued Pole Access and Charges), Section 6.11 (Capital Plans) and Section 6.16 (Continued Use of Name) will terminate and be of no further force and effect upon the earlier of (i) the fifth anniversary of the Closing Date; and (ii) the completion of a Purchaser Fundamental Change unless continued with the written consent of the Purchaser or its successors or assigns, which the Purchaser will use good faith efforts to obtain in order to continue to implement its obligations set forth in Section 6.7(b) (Continued Pole Access and Charges), Section 6.11 (Capital Plans) and Section 6.16 (Continued Use of Name). For certainty, the provisions of this Section 6.19 will have no effect on the Ancillary Agreements executed and delivered by the parties thereto except as otherwise set forth therein.

ARTICLE VII REQUIRED APPROVAL

7.1 Required Approval. Each of the Purchaser and the Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than forty five (45) days after the execution of this Agreement), file or cause to be filed with the OEB an application required to be made under Subsection 86(1) and Subsection 86(2) of the *OEB Act* in respect of the OEB's approval as it relates to the sale of the Purchased Shares (the "**Required Approval**").

Each of the Purchaser and the Vendor shall use their best efforts (which shall not be less than commercially reasonable efforts) to cooperate and assist the other, so that the Required Approval can be obtained as soon as reasonably possible, and in any event prior to the Outside Date. All the costs and expenses incurred by the Parties in connection with the application for the Required Approval shall be borne by each Party.

7.2 Ontario Minister of Finance Notice. The Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than the day before the Closing Date), file or cause to be filed with the Ontario Minister of Finance the notification required under Subsection 4(2) of Ontario Regulation 124/99 made under the EA. If necessary, the Vendor will also file or cause to be filed with the Ontario Minister of Finance such notification as required by Section 7 of Ontario Regulation 124/99 within thirty (30) days after the Closing Date. The Purchaser shall be responsible for the costs incurred by it in connection with the Ontario Minister of Finance Notice.

ARTICLE VIII TAX MATTERS

8.1 Preparation and Filing of Tax Returns. The Vendor shall prepare and submit on behalf of the Corporation all corporate Tax Returns for a Pre-Closing Tax Period that are not due for filing until after the Closing Date to the Purchaser for approval at least thirty (30) Business Days before the filing due date thereof, and all other Tax Returns for a Pre-Closing Tax Period which shall be prepared and submitted to the Purchaser for approval at least seven (7) Business Days before the filing due date thereof. All such Tax Returns shall be prepared in compliance with Applicable Law, this Agreement and be consistent with past practice of the Corporation. The Purchaser shall provide the Vendor and its Representatives access to such books and records of the Corporation relating to the period preceding Closing as the Vendor reasonably requests for purposes of preparing those Tax Returns. After the Purchaser has approved those Tax Returns, the Purchaser shall, on a timely basis, cause the Corporation to file the Tax Returns, and provide a copy with proof of filing to the Purchaser.

8.2 Notification Requirements. The Purchaser shall promptly forward to the Vendor all written notifications and other written communications from any Governmental Authority received by the Purchaser or the Corporation relating to Taxes of the Corporation for all Pre-Closing Tax Periods and Straddle Periods, and shall promptly inform the Vendor of any audit proposed to be undertaken and any adjustment proposed in writing to be made by any Governmental Authority in respect of a Pre-Closing Tax Period and Straddle Period. Notwithstanding the obligation of the Purchaser to give prompt notice as required above, the failure of the Purchaser to give that prompt notice shall not relieve the Vendor of its obligations under this Article VIII except to the extent (if any) that the Vendor shall have been prejudiced thereby.

8.3 Vendor Indemnification. From and after the Closing Date, the Vendor shall be responsible for and shall indemnify and save harmless the Purchaser for all Taxes payable by the Corporation for all such periods that are a Pre-Closing Tax Period (and except to the extent such Taxes payable are recorded as Current Liabilities on the Closing Date Financial Statements). The Purchaser shall pay to the Vendor as an increase in the Purchase Price any Tax refunds received

by or credited to the Corporation after the Closing Date (net of any costs or Taxes incurred in respect of such refund or obtaining same) provided that such Tax refunds relate to a Pre-Closing Tax Period (and except to the extent that such Tax refunds have been recorded as Current Assets on the Closing Date Financial Statements). In determining the allocation of Taxes to the Pre-Closing Tax Period under this Section 8.3 that pertain to the amount of Taxes payable or recoverable by the Corporation for a Straddle Period, the: (i) real, personal and intangible property Taxes, and other Taxes imposed against the Corporation on a periodic basis, (the “**Property Taxes**”) that shall be allocable to the Pre-Closing Tax Period shall be equal to the amount of such Property Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the number of days in the Straddle Period, and (ii) Taxes (other than Property Taxes) imposed upon the Corporation that shall be allocable to the Pre-Closing Tax Period shall be computed as if such taxable period ended immediately prior to the Closing Date.

8.4 Purchaser’s Contest Rights. Subject to Section 8.5, the Purchaser shall have the sole right to control, defend, settle, compromise, or prosecute in any manner an audit, examination, investigation, and other proceeding with respect to any Tax of the Corporation. The Purchaser shall keep the Vendor duly informed of any proceedings in connection with any matter for which the Purchaser may have a right to indemnification pursuant to this Article VIII or Article XII and promptly provide the Vendor with copies of all correspondence and documents relating to those proceedings. The Vendor shall execute or cause to be executed such documents and shall take such action as reasonably requested by the Purchaser to enable the Purchaser to take any action the Purchaser deems appropriate with respect to any proceedings in respect of which the Purchaser has contest rights under this Agreement.

8.5 Vendor’s Contest Rights.

- (a) The Vendor may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding (a “**Tax Proceeding**”) with respect to Taxes related to any matter in respect of which the Purchaser may have a right of indemnification pursuant to this Article VIII or Article XII, except that:
- (i) the Vendor shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all Losses arising out of that Tax Proceeding and that the Vendor shall be liable for the entire amount of those Losses;
 - (ii) the Vendor may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to the Tax Proceeding or any matter which may affect Tax liabilities of the Corporation for a period following Closing; and
 - (iii) the Vendor shall pay to the Purchaser the amount of all Taxes (including, for greater certainty, interest and penalties) specified in the notice of assessment or other Claim from the Governmental Authority which are due and payable and

to which the Purchaser's indemnity Claim relates within ten (10) Business Days before the amount is required to be paid to the Governmental Authority or within ten (10) Business Days after the Purchaser has forwarded to the Vendor a Claim for indemnity.

- (b) The Purchaser and/or the Corporation, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendor to enable the Vendor to take any action it deems appropriate with respect to any proceedings in respect of which the Vendor has contest rights under this Agreement. In addition:
 - (i) the Vendor shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser or the Corporation; and
 - (ii) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.
- (c) The provisions of this Section 8.5 shall not apply to the extent that (A) in the reasonable opinion of counsel to the Purchaser, an actual or potential differing interest exists between the Purchaser and Vendor (such as the availability of different defences) that would make such separate representation advisable; or (B) If the Vendor, having elected to assume such control, thereafter fails to defend the Tax Proceeding within a reasonable time, the Purchaser shall be entitled to assume such control and the Vendor shall be bound by the results obtained by the Purchaser with respect to such Tax Proceeding.

8.6 Indemnification Procedures. Except to the extent expressly provided to the contrary in this Article VIII, the general procedures regarding notice and pursuit of indemnification Claims set forth in Article XII shall apply to all Claims for indemnification made under this Article VIII, except that notwithstanding any provision of Article XII to the contrary, if a Claim for indemnification involves any matter covered in this Article VIII, then the contest provisions of Section 8.4 and Section 8.5, as applicable, shall control regarding the defence and handling of any such third party Claim that could give rise to an indemnification obligation on the part of the Vendor. Notwithstanding Article IV, the time period during which a Claim for indemnification may be made under this Article VIII shall survive Closing and continue in full force and effect until, but not beyond, the one hundred and eightieth (180th) day following the expiration of the period, if any, during which an assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Tax legislation in respect of any taxation year to which those representations and warranties and provisions under this Article VIII could be issued under that Tax legislation to the Corporation.

**ARTICLE IX
CONDITIONS OF CLOSING**

9.1 Conditions of Closing in Favour of the Purchaser. The Transaction including sale and purchase of the Purchased Shares are subject to the following conditions for the exclusive benefit of the Purchaser, to be fulfilled or performed at or prior to the Time of Closing:

- (a) **Representations and Warranties.** The representations and warranties of the Vendor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of a senior officer of the Vendor dated the Closing Date to that effect shall have been delivered to the Purchaser.
- (b) **Covenants.** All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Vendor at or prior to Closing shall have been complied with or performed, and a certificate of a senior officer of the Vendor dated the Closing Date to that effect shall have been delivered to the Purchaser.
- (c) **Consents and Required Approval.** There shall have been obtained from all appropriate Persons such consents listed in Schedule 3.1(i) as may be required in connection with the completion of the Transaction, including without limitation, the Required Approval, by no later than the Outside Date.
- (d) **Ancillary Agreements.** The Purchaser and Vendor shall have entered into each Ancillary Agreement substantially in the forms attached to this Agreement.
- (e) **No Action to Restrain.** No order of any Governmental Authority shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit:
 - (i) the purchase and sale of the Purchased Shares; or
 - (ii) the Corporation from carrying on the Business as the Business is being carried on as at the date hereof.
- (f) **Material Adverse Effect.** There shall not have occurred any Material Adverse Effect since the date of this Agreement.
- (g) **Resignation of Directors and Officers.** All directors and officers of the Corporation shall have tendered their resignations as directors and officers and each director and the Vendor shall have duly executed and delivered comprehensive mutual releases of all their respective claims against each other in accordance with Section 5.4.
- (h) **Release.** The Vendor will release the Corporation from any and all possible Claims that the Vendor has against the Corporation other than any Claim by a third party

against the Vendor related to the Corporation or the Business arising from any act, matter or thing arising at or prior to the Time of Closing.

- (i) **No Transfer or Departure Tax Payable.** None of the Vendor, the Purchaser or the Corporation shall be liable for Transfer Tax or Departure Tax or any similar Tax in any successor statute, in relation to the sale or purchase of the Purchased Shares, except as may result from a breach, inaccuracy or misrepresentation of the representation in Section 3.2(j) by the Purchaser.

If any of the conditions contained in this Section 9.1 shall not be performed or fulfilled at or prior to the Closing or any other timeframe specified above to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, or if the Vendor terminates this Agreement because of a failure of conditions in Section 9.2(c), Section 9.2(e) or Section 9.2(f), then in any such event the Purchaser shall be released from all obligations hereunder except those set forth in 6.18 and in the Confidentiality Agreement and the Vendor shall direct the Escrow Agent to refund the Deposit and all accrued interest thereon to the Purchaser and Purchaser shall be released from all obligations hereunder. Any such condition may be waived in whole or in part by the Purchaser without prejudice to any claims it may have for breach of such condition.

9.2 Conditions of Closing in Favour of the Vendor. The purchase and sale of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be fulfilled or performed at or prior to the Time of Closing:

- (a) **Representations and Warranties.** The representations and warranties of the Purchaser contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of a senior officer of the Purchaser dated the Closing Date to that effect shall have been delivered to the Purchaser.
- (b) **Covenants.** All of the obligations, covenants, and agreements contained in this Agreement to be complied with or performed by the Purchaser at or prior to the Time of Closing shall have been complied with or performed, and a certificate of a senior officer of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendor.
- (c) **Consents and Required Approval.** There shall have been obtained, from all appropriate Persons such consents as listed in Schedule 3.1(i), as may be required in connection with the completion of the Transaction, including without limitation, the Required Approval, by no later than the Outside Date.
- (d) **Ancillary Agreements.** The Purchaser and Vendor shall have entered into each Ancillary Agreement substantially in the forms attached to this Agreement.

- (e) **No Action to Restrain.** No order of any Governmental Authority shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit the purchase of the Purchased Shares.
- (f) **No Transfer or Departure Tax Payable.** The Vendor shall not be liable for Transfer Tax or Departure Tax or any similar Tax in any successor statute, in relation to the sale or purchase of the Purchased Shares, except as may result from a breach, inaccuracy or misrepresentation of the representation in Section 3.1(v)(x) by the Vendor.
- (g) **Senior Management Roles for Officers.** All officers of the Corporation that have tendered their resignations as officers, in accordance with Section 5.4, will be offered senior management roles with the Corporation or its successor.

If any of the conditions in this Section 9.2 shall not be performed or fulfilled at or prior to Closing to the satisfaction of the Vendor, acting reasonably, the Vendor may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, and in such event the Vendor shall be released from all obligations hereunder except those set forth in the Confidentiality Agreement and the Vendor shall be entitled to the Deposit and accrued interest thereon only in circumstances resulting in termination for failure of performance or fulfillment by the Purchaser of the conditions listed in Section 9.2(a) and Section 9.2(b), as its sole and exclusive remedy for all matters arising out of this Agreement and Purchaser shall be released from all obligations hereunder. Any such condition may be waived in whole or in part by the Vendor without prejudice to any Claims it may have for breach of such condition.

ARTICLE X CLOSING ARRANGEMENTS

10.1 Place of Closing. The Closing shall take place at the Time of Closing at the offices of Borden Ladner Gervais LLP, the Vendor's Counsel, at Toronto, Ontario.

10.2 Transfer. At the Time of Closing, upon fulfilment of all the conditions set out in Article IX that have not been waived in writing by the Purchaser or the Vendor, the Vendor shall deliver to the Purchaser certificates representing all the Purchased Shares, duly endorsed in blank for transfer and will cause transfers of such shares to be duly and regularly recorded in the name of the Purchaser whereupon, subject to all other terms and conditions hereof being complied with, payment of the Purchase Price shall be paid and satisfied in the manner provided in Article II.

ARTICLE XI ARBITRATION

11.1 Arbitration.

- (a) Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, including the Confidentiality Agreement, or the performance, breach, termination or validity thereof, shall be finally settled by arbitration. Either Party may

initiate arbitration within a reasonable time after any such dispute, controversy or claim has arisen, by delivering a written demand for arbitration upon the other Party. The arbitration shall be conducted in accordance with the *Arbitration Act*, 1991 (Ontario). The arbitration shall take place in Toronto, Ontario, and shall be conducted in English.

- (b) The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the Parties. In the event the Parties are unable to agree on the appointment of the arbitrator within ten (10) days after notice of a demand for arbitration is given by either Party, then either Party shall be free to apply to the Ontario Superior Court of Justice for an Order appointing the arbitrator. Absent agreement or an award in the arbitration to the contrary, the arbitration fees and expenses shall be borne by the Parties equally.
- (c) The arbitrator shall have the authority to award any remedy or relief that a court could order or grant in accordance with this Agreement, including, without limitation, specific performance of any obligation created under this Agreement, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.
- (d) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the Parties with no rights of appeal. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

ARTICLE XII INDEMNIFICATION

12.1 Indemnification by the Vendor. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties of the Parties and to the remaining provisions of this Article XII, the Vendor covenants and agrees to indemnify and save harmless the Purchaser effective as and from the Closing Time, from all Losses suffered by the Purchaser or the Corporation as a result of all Claims which may be made or brought against the Purchaser or the Corporation, including Claims or Losses suffered by the Purchaser (or made or brought by the Purchaser against the Vendor pursuant to this Agreement) or the Corporation as a result of or arising directly or indirectly out of or in connection with:

- (a) any breach by the Vendor of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto; and
- (b) any breach or non-performance by the Vendor of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

12.2 Indemnification by the Purchaser. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties of the Parties and to the remaining provisions of this Article XII, the Purchaser agrees to indemnify and save harmless the Vendor from all Losses suffered or incurred by the Vendor as a result of or arising directly or indirectly out of or in connection with any Claim relating to:

- (a) any breach by the Purchaser of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto;
- (b) any breach or non-performance by the Purchaser of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and
- (c) the ownership of the Purchased Shares in respect of the period after Closing.

12.3 Notice of Claim. In the event that a Party (the “**Indemnified Party**”) shall become aware of any Claim in respect of which the other Party (the “**Indemnifying Party**”) agreed to indemnify the Indemnified Party pursuant to this Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arises as a result of a Claim by a third party (a “**Third Party**”) against the Indemnified Party (a “**Third Party Claim**”) or whether the Claim does not so arise (a “**Direct Claim**”), and shall also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Claim; and
- (b) the amount of the Claim, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to effectively contest the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party’s failure to give such notice on a timely basis.

12.4 Direct Claims. With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration in such manner as the parties may agree or shall be determined by a court of competent jurisdiction.

12.5 Third Party Claims. With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of the Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's reasonable out-of-pocket expenses as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and a representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences). If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. If any Third Party Claim is of a nature such that the Indemnified Party is required by Applicable Law to make a payment to any Third Party with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

12.6 Settlement of Third Party Claims. If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed.

12.7 Limitation on Claims.

- (a) Subject to Section 2.6, Section 8.3 and Section 8.6 and notwithstanding Section 12.1 or any other provision in this Agreement:
- (i) no Claim for indemnification hereunder may be made by the Purchaser against the Vendor until the aggregate amount of Claims in respect of which the Purchaser may so claim exceeds two million dollars (\$2,000,000) (the "**Deductible**"), and then only for the amount of any Claims exceeding the Deductible;
 - (ii) for the purposes of this Section 12.7(a) and for greater clarity, Claims that occur prior to the Time of Closing that are based on events that occur prior to the Time of Closing that give rise to a Claim under Section 12.1(a), other than

in respect of a breach by the Vendor of any representation and warranty based on fraud, intentional misrepresentation or wilful misconduct, will be included in the calculation of the Deductible, whether or not the Vendor or its respective officers, directors and employees and any of its respective agents, counsel or consultants involved in the due diligence investigations related to the Transactions had knowledge of such events prior to or following the Time of Closing; and

- (iii) the maximum aggregate amount of indemnification exceeding the Deductible which may be payable by the Vendor under this Agreement shall not exceed an aggregate of two million dollars (\$2,000,000), for any reason whatsoever.
- (b) Neither Party shall be required to indemnify or save harmless the other Party in respect of any breach or inaccuracy of any representation or warranty made under Article III unless notice is provided by the Indemnified Party to the Indemnifying Party in accordance with Section 13.4 on or prior to the expiration of the applicable time period related to such representation and warranty as set out in Article IV.
- (c) The amount of Losses recovered by an Indemnifying Party under this Article XII shall be reduced by taking into account any insurance proceeds received by the Indemnified Party in respect of the occurrence giving rise to the Claim.
- (d) In determining the amount of any Loss under this Article XII, such Loss will be increased (or decreased) to take into account any net Tax cost (or net current or future Tax benefit) incurred or enjoyed by the Indemnitee as a result of the matter giving rise to such Loss and the receipt of an indemnity payment hereunder. For greater certainty, any net Tax cost will include any further cost resulting from such increased payment.
- (e) Any indemnification payment made under this Article XII shall be treated by the Purchaser and the Vendors as an adjustment to the Purchase Price.

12.8 Exclusivity. The provisions of this Article XII shall apply to any Claim for or in respect of any breach of any covenant, representation, warranty, indemnity or other provision of this Agreement (other than a claim for specific performance or injunctive relief pursuant to Section 6.18) or any agreement, certificate or other document delivered pursuant to this Agreement with the intent that all such Claims made after the Closing Time shall be subject to the limitations and other provisions contained in this Article XII.

12.9 Purchaser's Acknowledgement. The Purchaser acknowledges and agrees with the Vendor that it has had the opportunity to conduct due diligence and investigation with respect to the Transactions. To the extent that Paul Ferguson, President of the Purchaser, or Laurie Ann Cooledge, Chief Financial Officer of the Purchaser, by reason of conducting due diligence and investigation, or otherwise, have actual knowledge of a breach of any representation and warranty or other statement made by the Vendor in this Agreement (or in any agreement, certificate or other document delivered under this Agreement), the Purchaser must promptly notify the Vendor in writing. If the Purchaser fails to provide such written notice prior to Closing

despite such officers having actual knowledge, then the Purchaser will not have the right to make a Claim against the Vendor for Losses in respect of the breach of that representation and warranty or other statement.

12.10 Duty to Mitigate, Single Recovery.

- (a) Each Party shall have a general obligation under this Agreement to mitigate any Loss that it may suffer or incur by reason of any breach, inaccuracy or failure to perform by the other Party of any of its representations, warranties, covenants or obligations under this Agreement. If any Loss suffered or incurred by a Party can be reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any Claim, recovery, settlement or payment by or against any other Person, such Party shall take all appropriate steps to enforce such recovery, settlement or payment prior to enforcing its right to indemnification from the other Party under this Article XII, and the amount of any Loss of suffered or incurred by the Party seeking indemnification shall be reduced by the amount of such proceeds recoverable by such Party in accordance with Section 12.7(c).
- (b) Neither the Purchaser nor the Vendor is entitled to double recovery for any Losses even though they may have resulted from the breach, inaccuracy or failure to perform of more than one of the representations, warranties, covenants and obligations of the other the Purchaser or the Vendor, as the case may be, pursuant to this Agreement.

**ARTICLE XIII
MISCELLANEOUS**

13.1 Further Assurances. Each Party to this Agreement covenants and agrees that, from time to time subsequent to the Closing Date, it will, at the request and expense of the requesting Party, execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as any other party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

13.2 Announcements. The Parties shall make a joint public announcement with respect to this Agreement and the Transactions herein contemplated, at such time and in such manner as may be mutually agreed upon by the Parties. Except as required by Applicable Law, no other public announcement, press release, notices, statements and communications to third parties shall be made by either Party hereto without the prior consent and approval of the other Party, provided that the Parties hereby acknowledge that the Parties may be compelled to disclose details of this Agreement and the Transactions contemplated herein in respect of the Required Approval and that the Vendor or the Purchaser may be compelled to disclose details of this Agreement and the Transactions herein contemplated pursuant to the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) or the *Freedom of Information and Protection of Privacy Act* (Ontario).

13.3 Brokerage, Commissions, etc. It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor, the Corporation or the Purchaser, in connection with the transaction herein contemplated. The Vendor agrees to indemnify and save harmless the Purchaser from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Vendor in connection with the Transactions herein contemplated. The Purchaser agrees to indemnify and save harmless the Vendor from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary, who purports to act or to have acted for the Purchaser in connection with the Transactions herein contemplated.

13.4 Notices.

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or sent by registered mail, charges prepaid, addressed as follows:

(i) if to the Vendor: The Corporation of the Town of Midland
575 Dominion Ave
Midland, Ontario
L4R 1R2

Attention: Chief Administrative Officer
Fax: (705) 526-9971

(ii) if to the Purchaser: 590 Steven Court
Newmarket, ON
L3Y 6Z2

Attention: President
Fax No.: (905) 895-8931

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by telecopy as aforesaid.

(c) Either Party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 13.4.

13.5 Best Efforts. The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of the Party to use its best efforts (which shall not be less than commercially reasonable efforts) to obtain any waiver, consent, approval, permit, licence or

other document shall not require such Party to make any payment to any Person for the purpose of procuring the same, other than payments for amounts due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any Applicable Law or regulation.

13.6 Costs and Expenses. Except as otherwise provided for herein, all costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the Transactions herein contemplated shall be paid by the Party incurring such costs and expenses.

13.7 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

13.8 Assignment. No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Party, which may be unreasonably withheld.

13.9 Successors. This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

13.10 Governing Law. This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

13.11 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

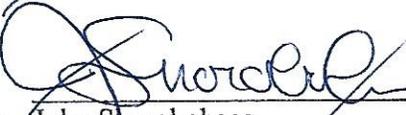
13.12 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

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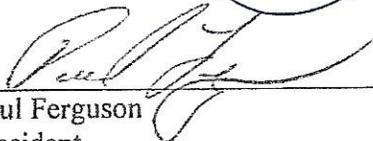
IN WITNESS WHEREOF this Agreement has been executed by the Parties.

THE CORPORATION OF THE TOWN OF MIDLAND

By: 
Name: Gord A. McKay
Title: Mayor

By: 
Name: John Skorobohacz
Title: Chief Administrative Officer

NEWMARKET-TAY POWER DISTRIBUTION LTD.

By: 
Name: Paul Ferguson
Title: President

SCHEDULE 1.1(EEE) – INITIAL FINANCIAL STATEMENTS

See attached.



MIDLAND POWER UTILITY CORPORATION

FINANCIAL STATEMENTS

For the year ended December 31, 2015



MIDLAND POWER UTILITY CORPORATION

FINANCIAL STATEMENTS

For the year ended December 31, 2015

Contents

Independent Auditor's Report	3
Financial Statements	
Balance Sheet	5
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to Financial Statements	10



Tel: 705 445 4421
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www.bdo.ca

BDO Canada LLP
40 Huron Street, Suite 100
Collingwood ON L9Y 4R3 Canada

Independent Auditor's Report

To the Shareholder of Midland Power Utility Corporation

We have audited the accompanying financial statements of Midland Power Utility Corporation, which comprise the balance sheets as at December 31, 2015, December 31, 2014 and January 1, 2014, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, and explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Power Utility Corporation as at December 31, 2015, December 31, 2014 and January 1, 2014 and the results of its operations and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Collingwood, Ontario
April 22, 2016

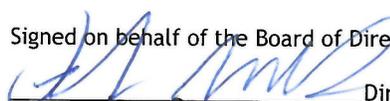
MIDLAND POWER UTILITY CORPORATION
BALANCE SHEET (EXPRESSED IN CANADIAN DOLLARS)

	Notes	December 31, 2015	December 31, 2014	January 1, 2014
Assets				
Current Assets				
Cash and cash equivalents		\$ 51,482	\$ -	\$ 266,208
Accounts receivable	7	1,967,131	2,154,268	1,491,298
Unbilled service revenue		2,580,942	2,259,306	2,668,791
Inventory	17	186,361	197,824	193,422
Prepaid expenses		156,382	191,652	216,447
Payments in lieu of taxes receivable		6,154	106,323	77,320
Total Current Assets		4,948,452	4,909,373	4,913,486
Non-Current Assets				
Property, plant and equipment	4	14,609,664	14,759,232	14,658,849
Intangible assets	5	135,486	133,478	79,061
Goodwill	11	1,260,000	1,260,000	1,260,000
Long-term investments	20	100	100	100
Deferred taxes	8	34,257	122,586	170,464
Total Non-Current Assets		16,039,507	16,275,396	16,168,474
Total Assets		20,987,959	21,184,769	21,081,960
Regulatory Deferral Account Debit Balances and Related Deferred Tax	3	809,460	681,231	127,949
Total Assets and Regulatory Deferral Account Balances		\$ 21,797,419	\$ 21,866,000	\$ 21,209,909
Liabilities and Shareholder's Equity				
Current Liabilities				
Bank indebtedness	14	\$ 1,200,000	\$ 469,110	\$ 1,380,000
Accounts payable and accrued liabilities	15	3,037,423	3,829,436	3,107,207
Deferred Revenue		6,361	4,864	189
Current portion of contributions in aid of construction	6	78,867	78,497	72,804
Current portion of customer and construction deposits	7	115,754	183,544	195,759
Current portion of long-term debt	12	4,417,134	4,540,302	4,286,596
Total Current Liabilities		8,855,539	9,105,753	9,042,555
Non-Current Liabilities				
Contributions in aid of construction	6	2,026,382	2,069,166	1,797,795
Customer and construction deposits	7	346,458	285,493	295,412
Employee future benefits	10	77,290	78,448	69,602
Deferred taxes	8	92,479	81,032	53,545
Total Non-Current Liabilities		2,542,609	2,514,139	2,216,354
Total Liabilities		11,398,148	11,619,892	11,258,909

MIDLAND POWER UTILITY CORPORATION
BALANCE SHEET (EXPRESSED IN CANADIAN DOLLARS)

	Notes	December 31, 2015	December 31, 2014	January 1, 2014
Shareholder's Equity				
Share capital	18	6,880,984	6,880,984	6,880,984
Retained earnings		3,518,287	3,365,124	3,070,016
Total Shareholder's Equity		10,399,271	10,246,108	9,951,000
Total Liabilities and Shareholder's Equity		\$ 21,797,419	\$ 21,866,000	\$ 21,209,909

Signed on behalf of the Board of Directors' by:


 _____ Director


 _____ Director

MIDLAND POWER UTILITY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME (EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	2015	2014
Revenue			
Electricity sales		\$ 23,615,459	\$ 21,636,827
Distribution revenue		3,712,542	3,769,959
Other	16	431,851	346,611
		<u>27,759,852</u>	<u>25,753,397</u>
Expenses			
Purchased power		23,653,907	22,311,258
Operating expenses	9	2,397,842	2,317,299
Amortization		722,502	776,507
Loss on disposal of property, plant and equipment		48,361	18,731
		<u>26,822,612</u>	<u>25,423,795</u>
Income from operating activities		937,240	329,602
Finance Income	21	45,907	52,274
Finance Cost	21	(232,639)	(245,687)
Income before provision for (recovery of) payment in lieu of taxes and regulatory items		750,508	136,189
Provision for (recovery of) payment in lieu of taxes			
Current	8	75,797	(81,002)
Income before net movements in regulatory items		674,711	217,191
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	3	28,452	477,917
Net income for the year		\$ 703,163	\$ 695,108

MIDLAND POWER UTILITY CORPORATION
STATEMENT OF CHANGES IN EQUITY (EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share Capital		Retained Earnings		Total
Balance at January 1, 2014	\$ 6,880,984	\$	3,070,016	\$	9,951,000
Net income for the year			695,108		695,108
Dividends			(400,000)		(400,000)
Balance at December 31, 2014	6,880,984		3,365,124		10,246,108
Net income for the year			703,163		703,163
Dividends			(550,000)		(550,000)
Balance at December 31, 2015	\$ 6,880,984	\$	3,518,287	\$	10,399,271

MIDLAND POWER UTILITY CORPORATION
STATEMENT OF CASH FLOWS (EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Cash flows from operating activities		
Net income for the year	\$ 703,163	\$ 695,108
Adjustments to reconcile income to net cash used in operating activities:		
Amortization	722,502	776,507
Provision for (recovery of) payment in lieu of taxes	75,797	(81,002)
Loss on disposal of property, plant and equipment	48,361	18,731
Amortization of contributions in aid of construction	(78,497)	(72,804)
Changes in non-cash working capital		
Energy revenue accounts receivable	249,874	(963,778)
Accounts receivable	(62,738)	300,808
Unbilled service revenue	(321,636)	409,485
Inventory	11,465	(4,404)
Prepaid expenses	35,270	24,796
Accounts payable and accrued liabilities	(792,013)	722,229
Deferred taxes	99,776	75,365
Customer and construction deposits	(6,826)	(22,134)
Deferred revenue	1,498	4,675
Employee benefits	(1,158)	8,846
Cash generated from operations	684,838	1,892,428
Payments in lieu of taxes (paid) received	24,372	52,000
Net cash flows from operating activities	709,210	1,944,428
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	5,971	1,500
Purchase of property, plant and equipment	(584,793)	(820,963)
Purchase of intangibles	(44,483)	(130,575)
Changes in regulatory deferral account balances	(128,228)	(553,282)
Proceeds on contributions in aid of construction	36,084	349,868
Net cash used in investing activities	(715,449)	(1,153,452)
Cash flows from financing activities		
Loan advances	450,000	825,000
Loan repayments	(573,169)	(571,294)
Short-term financing (repayments)	730,890	(910,890)
Dividends paid in cash	(550,000)	(400,000)
Net cash used in financing activities	57,721	(1,057,184)
Net increase (decrease) in cash during the year	51,482	(266,208)
Cash, beginning of year	-	266,208
Cash, end of the year	\$ 51,482	\$ -

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. CORPORATE INFORMATION

Midland Power Utility Corporation's (Midland PUC) main business activity is the distribution of electricity under a license issued by the Ontario Energy Board (OEB). Midland PUC owns and operates an electricity distribution system, which delivers electricity to approximately 7,200 customers located in Midland, Ontario.

The Province, through its regulator the OEB exercises statutory authority through setting or approving all rates charged by the Midland PUC and establishing standards of service for Midland PUC's customers. Rates are set by the OEB on an annual basis for May 1 to April 30.

Operating in regulated environment exposes Midland PUC to regulatory and recovery risk.

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. Midland PUC is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The address of the Midland PUC's corporate office and principal place of business is 16984 Highway 12, P.O. Box 820, Midland, Ontario, Canada.

The sole shareholder of Midland PUC is the Corporation of the Town of Midland.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of Midland PUC have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are Midland PUC's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. They should be read in conjunction with the 2014 Canadian generally accepted accounting principles ("Canadian GAAP") financial statements and related notes. In this context, the term "Canadian GAAP" refers to generally accepted accounting principles before the adoption of IFRS.

The financial statements were authorized for issue by the Board of Directors on April 22, 2016.

b) First time adoption of IFRS

The transition to IFRS resulted in a decrease of shareholders equity of \$50,590 and \$253,954 at January 1, 2014 and December 31, 2014 respectively and a decrease in income for the year ended December 31, 2014 of \$203,362. In addition, the adoption of IFRS 14 Regulatory Deferral Accounts, did not result in a significant change in presentation of regulatory deferral accounts presented separately from assets and liabilities, however, there is a change in regulatory deferral accounts being presented separately from net profit.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. BASIS OF PREPARATION (CONT'D)

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Midland PUC is provided in note 24.

c) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN\$), which is also Midland PUC's functional currency and all values are rounded to the nearest dollar, unless when otherwise indicated.

d) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying Midland PUC's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The calculation of the impairment of accounts receivables (Note 7);
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 8); and
- The calculation of the net future obligation for certain unfunded life insurance benefits for Midland PUC's retired employees (Note 10).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. REGULATORY DEFERRAL ACCOUNT BALANCES

Midland PUC has early adopted IFRS 14, Regulatory Deferral Accounts, to reflect the impact of regulation on its operations. In accordance with IFRS 14, Midland PUC has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

The balances and movements in the regulatory deferral account balances shown below are presented net of related deferred taxes. These deferred taxes are not presented within the total deferred tax asset balances shown in note 8.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. REGULATORY DEFERRAL ACCOUNT BALANCES (CONT'D)

All amounts deferred as regulatory deferral account balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, Midland PUC has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Balances			Balances			
	January 1,	arising in the	Recovery/	December 31,	arising in the	Recovery	December
	2014	period	Reversal	2014	period	/Reversal	31, 2015
Regulatory Deferral Account Debit							
Settlement variances	\$ (436,346)	\$ 566,648	\$ 164,797	\$ 295,099	\$ 203,724	\$ (77,314)	\$ 421,509
Carrying Charges	486,460	1,138	(1,557)	486,041	9,237	(1,871)	493,407
Deferred tax	(174,357)	(121,149)	-	(295,506)	89,780	-	(205,726)
Stranded meters	199,483	-	(86,399)	113,084	-	(87,089)	25,995
IFRS transition costs	28,801	7,000	-	35,801	3,000	-	38,801
Other	23,908	22,804	-	46,712	(11,238)	-	35,474
Net Regulatory Assets	\$127,949	\$ 476,441	\$ 76,841	\$ 681,231	\$ 294,503	\$(166,274)	\$ 809,460

i. Settlement variances

This account is comprised of the variances between amounts charged by Midland PUC to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by Midland PUC. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The company has recognized a settlement variance asset of \$421,509 (2014 - a settlement variance asset of \$295,099) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balances presented in the statement of financial position. The expected recovery/reversal period is three years.

ii. Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. Midland PUC applied for and received approval to recover carrying charges earned in 2013 and prior in its 2015 rate application. Midland PUC also intends to seek recovery of carrying charge income earned in 2014 and 2015 in future rate applications. Midland PUC expects to recover these amounts over the next three years.

Total carrying charges are comprised of \$493,407 (2014 - \$486,041). If carrying charges are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, as specified in IAS 23, they are capitalized as part of Property, Plant and Equipment. Carrying charges that do not meet this criteria are included as part of the regulatory deferral account. Midland PUC does not have any carrying charges directly attributable to the acquisition, construction or production of a qualifying asset. The carrying charge balances for Midland PUC are directly attributable to settlement variances, deferred tax, stranded meters, IFRS transition costs and other regulatory deferral accounts.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. REGULATORY DEFERRAL ACCOUNT BALANCES (CONT'D)

iii. Deferred tax

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. This regulatory credit balance relates to both deferred tax amounts reclassified under IFRS 14 and to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of deferred tax assets. As at December 31, 2015, this regulatory balance did not include any carrying charges

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances of \$263,948 as at December 31, 2015 (December 31, 2014 - \$253,952; January 1, 2014 \$57,438) offset by the recognition of a regulatory balance in respect of additional temporary differences for which a deferred tax amount was recognized of \$58,222 as at December 31, 2015 (December 31, 2014 \$(41,554); January 1, 2014 \$(116,919)). The deferred tax balance is presented within the total regulatory deferral account balances presented in the statement of financial position. The expected recovery/reversal period is three years.

iv. Stranded meters

In April, 2013, Midland PUC obtained approval from the OEB to recover the remaining cost of the stranded meters related to the deployment of smart meters which were formerly included in capital assets over a three year period effective May 1, 2013. The stranded meters were transferred from capital assets to regulatory assets in fiscal 2013. Midland PUC has recognized a recoverable balance \$25,995 (2014 - \$113,084) in stranded meters. In the absence of rate regulation, these stranded meters would have previously been expensed. Recovery of stranded meters will continue until April 30, 2016.

v. IFRS transition costs

During 2009, the OEB consultation process was set up to determine the effect of IFRS on local distribution companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. The OEB has approved the collection from customers to cover the expected one-time costs of implementing IFRS. Collections of \$100,000 over a 4 year period (May 1, 2009 to April 30, 2013) are off-set by OEB approved expenses in this variance account. In Midland PUC's 2013 Cost of Service Rate Application the OEB approved further collection from customers of \$46,352 over a two year period (May 1, 2013 to April 30, 2015).

Midland PUC has recognized an IFRS transition cost asset of \$38,801 (2014 - \$35,801) arising from the recognition of regulatory deferral account balances. The IFRS transition cost asset balance is presented within the total regulatory deferral account debit balances presented in the balance sheet.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment (PP&E) are recognized at cost less accumulated amortization. Costs may include material, labour, contracted services, engineering costs and eligible borrowing costs when applicable.

Also included in PP&E are the costs of capital assets constructed by developers or customers and contributed to Midland PUC as well as items designated as major spare parts or stand-by equipment. Major spares such as spare transformers and meters kept as standby/back up equipment are accounted for as PP&E since they support Midland PUC's distribution system reliability.

Depreciation of PP&E is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Land and Buildings:

Buildings and fixtures	50 years
------------------------	----------

Distribution Equipment:

Substations	25 - 75 years
Overhead Distribution Lines	45 - 60 years
Underground distribution lines	25 - 50 years
Distribution transformers	40 years
Distribution meters	25 years
Smart meters	15 years

Other Equipment:

Office equipment	10 years
Computer equipment	5 years
Transportation equipment	8 years
Small tools and miscellaneous equipment	10 years
System supervisory controls	20 years

Land is not depreciated.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4. PROPERTY, PLANT & EQUIPMENT (CONT'D)

PP&E consists of the following:

	Land and buildings	Distribution equipment	Other equipment	Total
Cost				
Balance at January 1, 2014	\$ 998,394	\$ 12,508,895	\$ 1,151,560	\$ 14,658,849
Additions	33,091	655,649	132,223	820,963
Disposals	-	19,999	232	20,231
Balance at December 31, 2014	<u>1,031,485</u>	<u>13,144,545</u>	<u>1,283,551</u>	<u>15,459,581</u>
Balance at January 1, 2015	1,031,485	13,144,545	1,283,551	15,459,581
Additions	95,781	336,872	152,140	584,793
Disposals	-	56,439	5,563	62,002
Balance at December 31, 2015	<u>\$ 1,127,266</u>	<u>\$ 13,424,978</u>	<u>\$ 1,430,128</u>	<u>\$ 15,982,372</u>
Depreciation and impairment losses				
Balance at January 1, 2014	\$ -	\$ -	\$ -	\$ -
Depreciation for the year	23,236	429,271	247,842	700,349
Disposals	-	-	-	-
Balance at December 31, 2014	<u>23,236</u>	<u>429,271</u>	<u>247,842</u>	<u>700,349</u>
Balance at January 1, 2015	23,236	429,271	247,842	700,349
Depreciation for the year	24,525	445,915	209,588	680,028
Disposals	-	4,446	3,223	7,669
Balance at December 31, 2015	<u>\$ 47,761</u>	<u>\$ 870,740</u>	<u>\$ 454,207</u>	<u>\$ 1,372,708</u>
Carrying amounts				
At January 1, 2014	\$ 998,394	\$ 12,508,895	\$ 1,151,560	\$ 14,658,849
At December 31, 2014	<u>\$ 1,008,249</u>	<u>\$ 12,715,274</u>	<u>\$ 1,035,709</u>	<u>\$ 14,759,232</u>
At December 31, 2015	<u>\$ 1,079,505</u>	<u>\$ 12,554,238</u>	<u>\$ 975,921</u>	<u>\$ 14,609,664</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortization.

Depreciation of Intangible Assets is recorded in the Statements of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Computer Software	5 years
Land Rights	not amortized

Intangible assets consist of the following:

	Computer Software	Land Rights	Total
Cost			
Balance at January 1, 2014	\$ 61,566	\$ 17,495	\$ 79,061
Additions	130,575	-	130,575
Balance at December 31, 2014	192,141	17,495	209,636
Balance at January 1, 2015	192,141	17,495	209,636
Additions	44,483	-	44,483
Balance at December 31, 2015	\$ 236,624	\$ 17,495	\$ 254,119
Depreciation and impairment losses			
Balance at January 1, 2014	\$ -	\$ -	\$ -
Depreciation for the year	76,158	-	76,158
Balance at December 31, 2014	76,158	-	76,158
Balance at January 1, 2015	76,158	-	76,158
Depreciation for the year	42,475	-	42,475
Balance at December 31, 2015	\$ 118,633	\$ -	\$ 118,633
Carrying amounts			
At January 1, 2014	\$ 61,566	\$ 17,495	\$ 79,061
At December 31, 2014	\$ 115,983	\$ 17,495	\$ 133,478
At December 31, 2015	\$ 117,991	\$ 17,495	\$ 135,486

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

6. REVENUE RECOGNITION

As a licensed distributor, Midland PUC is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. Midland PUC is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether Midland PUC ultimately collects these amounts from customers. Midland PUC has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized on an accrual basis, including unbilled revenues accrued in respect of electricity delivered but not yet billed. The unbilled revenue is calculated using real time consumption from the last billing date to December 31, 2015. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where Midland PUC has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction

The continuity of deferred contributions in aid of construction is as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Deferred contributions, net, beginning of year	\$ 2,147,663	\$ 1,870,599	\$ 1,870,599
Contributions in aid of construction received	36,083	349,868	-
Contributions in aid of construction recognized as other revenue	(78,497)	(72,804)	-
Deferred contributions, net, end of year	\$ 2,105,249	\$ 2,147,663	\$ 1,870,599
Current portion of deferred contributions in aid of construction	\$ 78,867	\$ 78,497	\$ 72,804
Non-current portion of deferred contributions in aid of construction	2,026,382	2,069,166	1,797,795
	\$ 2,105,249	\$ 2,147,663	\$ 1,870,599

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. ACCOUNTS RECEIVABLE AND CUSTOMER DEPOSITS

	December 31, 2015	December 31, 2014	January 1, 2014
Energy revenue accounts receivable	\$ 1,798,163	\$ 2,073,038	\$ 1,138,160
Due from shareholder	16,377	43,840	72,397
Merchandise and jobbing receivable	85,903	22,145	193,784
Other accounts receivable	111,688	85,245	185,857
Allowance for doubtful accounts	(45,000)	(70,000)	(98,900)
	<u>\$ 1,967,131</u>	<u>\$ 2,154,268</u>	<u>\$ 1,491,298</u>

Due to its short term nature, the carrying amount of the energy accounts receivable, due from shareholder, merchandise and jobbing and other accounts receivable approximates its fair value. In determining the allowance for doubtful accounts, Midland PUC considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement in operating expenses. The balance of the allowance for impairment at December 31, 2015 is \$45,000 (2014 - \$70,000). An impairment loss of \$26,543 was recognized during the year. Midland PUC's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2015, approximately \$59,822 (2014 - \$66,444) is considered 60 days past due. Midland PUC has approximately 7,200 customers, the majority of which are residential.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2% to a minimum of 1%.

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by Midland PUC in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

	December 31, 2015	December 31, 2014	January 1, 2014
Customer deposits	\$ 325,466	\$ 332,290	\$ 331,287
Construction deposits	136,746	136,747	159,884
Total customer deposits	<u>462,212</u>	<u>469,037</u>	<u>491,171</u>
Less long-term portion of customer and construction deposits	346,458	285,493	295,412
	<u>\$ 115,754</u>	<u>\$ 183,544</u>	<u>\$ 195,759</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

8. PAYMENTS IN LIEU OF TAXES PAYABLE

Midland PUC is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As an MEU, Midland PUC is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, Midland PUC is required to make, for each taxation year, PILs payments to the Ontario Electricity Financial Corporation (“OEF”)”. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

PILs expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 3).

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Midland PUC recognizes liabilities for anticipated tax audit issues based on Midland PUC’s current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Significant components of the payments in lieu of taxes expense are as follows:

	2015	2014
Current tax		
Based on current year taxable income	\$ 75,797	\$ (81,952)
Adjustments for over/under provision in prior periods	-	950
	<u>\$ 75,797</u>	<u>\$ (81,002)</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

8. PAYMENTS IN LIEU OF TAXES PAYABLE (CONT'D)

The current provision for (recovery of) payments in lieu of taxes varies from amounts which would be computed by applying Midland PUC's combined statutory income tax rate as follows:

	2015	2014
Net income for the year	\$ 703,163	\$ 695,108
Less provision for payment in lieu of taxes	75,797	(81,002)
Less deferred payment in lieu of taxes included in net movement of regulatory deferral account balances	9,996	196,514
	<u>788,956</u>	<u>810,621</u>
Statutory Canadian federal and provincial tax rate	26.50%	26.50%
Provision for PILs at statutory rate	<u>209,073</u>	<u>214,814</u>
Increase (decrease) in payments in lieu of taxes resulting from:		
Cumulative eligible capital deduction	(11,667)	(12,546)
Net increase in regulatory assets	(32,461)	(193,478)
Amortization expense in excess of capital cost allowance	(102,536)	(113,666)
Change in pension post retirement plan	307	2,344
Loss on disposal of assets	12,816	5,914
Other	265	-
Loss carryback	-	15,616
	<u>\$ 75,797</u>	<u>\$ (81,002)</u>
Effective tax rate	<u>9.61%</u>	<u>(9.99%)</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

8. PAYMENTS IN LIEU OF TAXES PAYABLE (CONT'D)

The movement in the 2015 deferred tax liability are:

	Opening Balance at Jan 1, 2015	Recognize in Regulatory Deferred Tax	Closing Balance at Dec 31, 2015
2015			
Deferred tax asset			
Property, plant and equipment	\$ 102,190	\$ (88,028)	\$ 14,162
Employee Future Benefits	20,396	(301)	20,095
Deferred tax asset	\$ 122,586	\$ (88,329)	\$ 34,257
Deferred tax liability			
Goodwill and land rights	81,032	11,447	92,479
Deferred tax liability	\$ 81,032	\$ 11,447	\$ 92,479
	Opening Balance at Jan 1, 2014	Recognize in Regulatory Deferred Tax	Closing Balance at Dec 31, 2014
2014			
Deferred tax asset			
Property, plant and equipment	\$ 155,938	\$ (53,748)	\$ 102,190
Employee future benefits	14,526	5,870	20,396
Deferred tax asset	\$ 170,464	\$ (47,878)	\$ 122,586
Deferred tax liability			
Goodwill and land rights	53,545	27,487	81,032
Deferred tax liability	\$ 53,545	\$ 27,487	\$ 81,032

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

9. EXPENSES BY NATURE

	<u>2015</u>	<u>2014</u>
Operations and maintenance:		
Customer and community relations	\$ 17,903	\$ 14,268
Distribution station	110,236	91,523
Employee wages and benefits	672,510	656,004
Metering	4,995	3,225
Overhead and underground system maintenance	137,349	166,315
Safety, training and small tools	27,705	31,609
Vehicle	14,084	21,555
	<u>\$ 984,782</u>	<u>\$ 984,499</u>
Billing and collecting:		
Bad debts	\$ 26,543	\$ 6,644
Billing supplies and postage	117,759	123,805
Collecting	13,896	14,209
Employee wages and benefits	163,385	158,347
Meter reading	130,807	126,898
	<u>\$ 452,390</u>	<u>\$ 429,903</u>
Administration and general:		
Bank charges	\$ 20,022	\$ 19,177
Building maintenance	20,705	17,555
Employee & Director wages and benefits	563,049	553,696
Insurance	39,804	45,823
Memberships, fees, dues and audit	77,347	54,044
Office supplies and materials	132,069	112,827
Property taxes	28,831	28,438
Regulatory	55,701	60,367
Safety and training	23,142	10,970
	<u>\$ 960,670</u>	<u>\$ 902,897</u>
Total operating expenses	<u>\$ 2,397,842</u>	<u>\$ 2,317,299</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

10. EMPLOYEE FUTURE BENEFITS

Defined contribution plan

The employees of Midland PUC participate in the Ontario Municipal Employees Retirement System (“OMERS”). Midland PUC also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was \$148,848 (2014 - \$149,233). The contributions were made for current service and these have been recognized in net income.

Defined benefit plans

During 2003 Midland PUC discontinued its post-retirement life insurance, dental and health benefits to all employees. As at December 31, 2015, there are only five (2014 - five) retirees who retain the post-retirement life insurance benefit. These benefits are provided through a group defined benefit plan. Midland PUC’s net obligation for these benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, the cost of these benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce.

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in the Statement of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of the former employees.

Health care cost risk: increases in cost of providing life insurance benefits.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

10. EMPLOYEE FUTURE BENEFITS (CONT'D)

	Defined benefit liability	
	2015	2014
Balance January 1	\$ 78,448	\$ 69,602
Interest cost	2,979	3,242
Included in profit or loss	81,427	72,844
Actuarial (gain) losses from financial assumptions	-	9,741
Benefits paid during the year	(4,137)	(4,137)
Balance December 31	\$ 77,290	\$ 78,448

The main actuarial assumptions underlying the valuation are as follows:

Assumption	2015	2014	Defined Benefit Obligation	
			Increase	Decrease
Discount Rate	3.90%	3.90%	\$ -	\$ (1,158)

11. GOODWILL

Goodwill represents the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased. In October 2000, Midland PUC recognized original goodwill of \$1,400,000 on its financial statements upon transition from a Public Utility Commission to a Corporation under the Business Corporations Act of Ontario. As at December 31, 2015 Midland PUC has \$1,260,000 recorded as goodwill.

Should any indication of impairment exist or circumstances arise which indicate that goodwill may be impaired, the goodwill would be tested for impairment by comparing the recoverable amount of the asset with the carrying amount of the asset.

When the carrying value amount of goodwill exceeds the implied fair value of goodwill an impairment loss is recognized in an amount equal to the excess as a charge against the results of operations.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

12. LONG-TERM DEBT

	2015	2014
Infrastructure Ontario Debenture - 4.12% fixed rate, \$33,333 principal repayable semi-annually plus interest on December 15th and June 15th, secured by a general security agreement covering a second charge on all assets and real property, due June 15, 2026	\$ 700,000	\$ 766,667
Infrastructure Ontario Debenture - 2.91% fixed rate, \$30,000 principal repayable semi-annually plus interest on October 1st and April 1st, secured by a general security agreement covering a second charge on all assets and real property, due April 1, 2015	-	30,000
Infrastructure Ontario Debenture - 3.91% fixed rate, \$56,126 principal repayable semi-annually plus interest on October 1st and April 1st, secured by a general security agreement covering a second charge on all assets and real property, due April 1, 2020	505,134	617,385
Infrastructure Ontario Debenture - 3.91% fixed rate, \$61,750 principal repayable semi-annually plus interest on October 1st and April 1st, secured by a general security agreement covering a second charge on all assets and real property, due April 1, 2020	555,750	679,250
Infrastructure Ontario Debenture - 4.00% fixed rate, \$60,000 principal repayable semi-annually plus interest on September 1st and March 1st, secured by a general security agreement covering a second charge on all assets and real property, due March 1, 2021	660,000	780,000
Infrastructure Ontario Debenture - 3.61% fixed rate, \$14,125 principal repayable semi-annually plus interest on August 1st and February 1st, secured by a general security agreement covering a second charge on all assets and real property, due February 1, 2033	494,375	522,625
Infrastructure Ontario Debenture - 3.03% fixed rate, \$20,000 principal repayable semi-annually plus interest on September 1st and March 1st, secured by a general security agreement covering a second charge on all assets and real property, due March 1, 2023	300,000	340,000
Infrastructure Ontario Debenture - 3.77% fixed rate, \$20,625 principal repayable semi-annually plus interest on June 2nd and December 2nd, secured by a general security agreement covering a second charge on all assets and real property, due June 2, 2034	763,125	804,375
Infrastructure Ontario Debenture - 3.20% fixed rate, \$11,250 principal repayable semi-annually plus interest on May 15th and November 15th, secured by a general security agreement covering a second charge on all assets and real property, due May 15, 2035	438,750	-
Current portion of long-term debt	\$ 4,417,134	\$ 4,540,302

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

12. LONG-TERM DEBT (CONT'D)

Total construction advances of \$8,603,125 have been approved by infrastructure Ontario at December 31, 2015 (2014 - \$7 million). At December 31, 2015, Midland PUC had undrawn credit capacity under this facility of approximately \$1,153,125 (2014 - \$352,484).

The agreement governing these credit facilities contains certain covenants as described in Note 23. At December 31, 2015 Midland PUC did not meet the current ratio covenant of 1.1:1. Subsequent to year end the Ontario Infrastructure Lands Corporation has waived the current ratio covenant. Ontario Infrastructure Lands Corporation has also removed the current ratio covenant of 1.1:1 from our current financing agreement effective April 14, 2016.

Principal repayments for each of the five subsequent years and thereafter are as follows:

2016	\$	554,418
2017		554,418
2018		554,418
2019		554,418
2020		436,542
Thereafter		1,762,920
	\$	<u>4,417,134</u>

13. RELATED PARTY TRANSACTIONS

The ultimate parent

The common shares of Midland PUC are owned by the Corporation of the Town of Midland, the ultimate parent, which constitutes a local government. Consequently, Midland PUC is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

The following summarizes Midland PUC's related party transactions for the year with its shareholder, the Corporation of the Town of Midland:

	<u>2015</u>	<u>2014</u>
Revenue		
Electricity charges	\$ 1,207,650	\$ 999,379
Maintenance of streetlights and other services	231,567	227,921
Expenses		
Municipal taxes	37,295	37,098
Lease fees for substation properties	49,980	49,980
After hours answering service	6,667	20,000
Communications antenna	20,000	20,000
Vehicle servicing, job recoveries and miscellaneous	9,239	4,417
Dividends Paid	550,000	400,000

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

13. RELATED PARTY TRANSACTIONS (CONT'D)

The ultimate parent continued

At the end of the year, the amounts due from and (to) its shareholder, the Corporation of the Town of Midland, are as follows:

	2015	2014
Trade receivable, unsecured due on demand	\$ 16,377	\$ 43,840
Trade payable, unsecured, due on demand	\$ (55,043)	\$ (155)

The Board of directors approved a \$550,000 (2014 - \$400,000) dividend that was paid to the Town of Midland.

Transactions with related parties

Midland PUC paid \$32,114 (2014 - \$28,046) in fees to Cornerstone Hydro Electric Concepts Association Inc. (CHEC).

Midland PUC paid \$70,376 (2014 - \$67,492) in fees to Utility Collaborative Services Inc. (UCS) for items such as information technology hosting, software licensing and CIS Analyst costs.

Key management personnel compensation comprised:

The key management personnel of the Company has been defined as members of its board of directors and executive management team members.

	2015	2014
Directors' fees & executive management compensation	\$ 495,570	\$ 468,297

14. BANK INDEBTEDNESS

Midland PUC has a line of credit with an authorized limit of \$4,380,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate, calculated and payable monthly. It is secured by a general security agreement covering all assets except real property.

As at December 31, 2015 Midland PUC had drawn a balance of \$1,200,000 (2014 - \$460,000) on this credit facility. Midland PUC's line of credit has been pledged as security for the letter of credit provided to the Independent Electricity Systems Operation ("IESO"). As a result, Midland PUC's access to the \$4,380,000 credit facility mentioned below (Note 19) is limited to \$2,084,270 (2014 - 2,824,270).

The agreement governing the line of credit facilities contains certain covenants as described in Note 23.

As at December 31, 2015 Midland PUCs operating bank account was in a positive position of \$45,182 (2014 - a negative position of \$9,110).

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
IESO accounts payable	\$ 1,436,024	\$ 1,852,896
Trade accounts payable	1,185,936	1,232,474
Due to shareholder	55,043	155
Accrued liabilities	209,539	620,727
Customer credit balances	150,881	123,184
	<u>\$ 3,037,423</u>	<u>\$ 3,829,436</u>

Included in trade accounts payable are two (2014 - two) customers who represent 78% (2014 - 70%) of the total balance. Included in accrued liabilities is one (2014 - one) customer who represents 64% (2014 - 88%) of the total balance.

16. OTHER REVENUE

Other revenue consists of the following:

	2015	2014
Late payment charges	\$ 28,468	\$ 23,265
Net service revenue	100,448	57,038
Ontario Power Authority management fees	37,400	-
Office rental	46,696	48,451
Other	108,362	111,646
Pole rental	31,980	33,407
Amortization of contributions in aid of construction	78,497	72,804
	<u>\$ 431,851</u>	<u>\$ 346,611</u>

17. INVENTORY

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. The amount of inventories consumed by the Midland PUC and recognized as an expense during 2015 was \$6,889 (2014 - \$9,340).

18. SHARE CAPITAL

An unlimited number of common and preference shares are authorized for issue.

As of December 31, 2015, Midland PUC has issued 1,000 common shares. The issued share capital is as follows:

	2015	2014
1,000 Common Shares	<u>\$ 6,880,984</u>	<u>\$ 6,880,984</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

19. CONTINGENCIES

Midland PUC is contingently liable as a guarantor for a letter of credit for \$1,095,730 with its bank provided to the Independent Electricity Systems Operator (IESO) to secure Midland PUC's hydro purchase obligations.

20. LONG-TERM INVESTMENTS

	2015	2014
Cornerstone Hydro Electric Concepts Association Inc. (CHEC), incorporated without share capital. The cost for the investment was \$NIL and therefore not included in these financial statements	\$ -	\$ -
Utility Collaborative Services Inc. (UCS), recorded using the cost method, 100 common shares, 10% interest	100	100
	<u>\$ 100</u>	<u>\$ 100</u>

Cornerstone Hydro Electric Concepts Association Inc. (CHEC) is an association of fifteen electricity distribution utilities modelled after a cooperative to share resources and proficiencies.

Utility Collaborative Services Inc. (UCS) offers standards-based back office services. The collaboration allows leverage in the reduction of costs for items such as information technology hosting and software licensing.

21. FINANCE INCOME AND FINANCE COST

	2015	2014
Finance Income:		
Interest income on regulatory asset balances	\$ 44,982	\$ 50,163
Interest income on bank deposits	925	2,111
	<u>\$ 45,907</u>	<u>\$ 52,274</u>
Finance Cost:		
Interest on long-term debt	\$ 172,275	\$ 171,657
Interest on credit line	19,467	19,795
Interest on customer deposits	3,280	3,662
Interest on regulatory asset balances	37,617	50,573
	<u>\$ 232,639</u>	<u>\$ 245,687</u>

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

22. SUBSEQUENT EVENTS

On October 19, 2015, Midland PUC submitted an application seeking approval for changes to the rates charged for electricity distribution, to be effective May 1, 2016. The application was approved by the OEB on March 17, 2016.

On April 15, 2016, Midland PUC received a waiver from Ontario Infrastructure Lands Corporation for the 2015 current ratio covenant.

Subsequent to year end Ontario Infrastructure Lands Corporation removed the current ratio covenant of 1.1:1 from Midland PUC's financing agreement effective April 15, 2016.

23. CAPITAL DISCLOSURES

Midland PUC considers its capital to be its share capital and retained earnings. Midland PUC's main objectives when managing capital are to: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, iii) maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholder.

Midland PUC relies predominantly on its cash flow from operations to fund its dividend distributions to its shareholder. This cash flow is supplemented, when necessary, through the borrowing of additional debt.

As part of existing debt agreements, financial covenants are monitored and communicated, as required by the terms of credit agreements, on an annual basis by management to ensure compliance with the agreements.

The Ontario Infrastructure and Lands Corporation loan covenants require the corporation to provide notification prior to any new debt issuance and to seek approval where the Debt Service Coverage Ratio falls below 1.15 to 1 at any time; such ratio is otherwise tested and calculated as of the end of each fiscal year. Midland PUC is also required to maintain a maximum Debt to Capital ratio of 0.60 to 1 and a minimum current ratio of 1.1 to 1 to be tested and calculated as of the end of each fiscal year. Midland PUC is in compliance with these covenants as at December 31, 2015, except for the current ratio. Infrastructure Ontario has waived the current ratio covenant. Ontario Infrastructure Lands Corporation has also removed the current ratio covenant of 1.1:1 from our current financing agreement effective April 15, 2016.

The Toronto-Dominion Bank loan covenants require Midland PUC to maintain a maximum Debt to Capital ratio of 0.60 to 1 and a minimum interest coverage ratio of 2.5x to be tested and calculated as of the end of each fiscal year. Midland PUC is in compliance with these covenants as at December 31, 2015.

Management monitors the following key ratios to effectively manage capital:

	<u>2015</u>	<u>2014</u>
a) Debt Service Coverage Ratio:	1.90 : 1	1.76 : 1
b) Debt to Capital:	0.38 : 1	0.36 : 1
c) Current Ratio:	0.56 : 1	0.54 : 1

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

24. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which Midland PUC has applied IFRS was January 1, 2014 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for Midland PUC will be December 31, 2015. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, Midland PUC prepared its financial statements in accordance with Canadian Generally Accepted Account principles ("pre-changeover Canadian GAAP")

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Mandatory exceptions:

Derecognition of financial assets and liabilities

Midland PUC has applied the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2014. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized in accordance with pre-changeover Canadian GAAP as a result of a transaction that occurred before January 1, 2014, have not been recognized in accordance with IFRS unless they qualify for recognition as a result of a later transaction or event. Midland PUC did not derecognize any financial assets or liabilities.

Estimates

The estimates previously made by Midland PUC under pre-changeover Canadian GAAP were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, Midland PUC has not used hindsight to revise estimates.

Government loans - Ontario Infrastructure and Lands Corporation

Midland PUC classifies government loans received as financial liabilities or equity instruments in accordance with IAS 32 Financial Instruments: Presentation. At the date of transition, these loans are measured at the pre-changeover Canadian GAAP carrying amount as a government grant. No benefit element is recognized for below market interest rate loans. The loans are subsequently measured using an effective interest rate calculated at the date of transition and the guidance in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is applied after the date of transition.

Optional elections:

Borrowing costs

Midland PUC has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

Deemed cost for Operations subject to Rate Regulation

Midland PUC has elected the deemed cost exemption applicable to entities subject to rate regulation as described under IFRS 1. The election permits Midland PUC, at the date of transition to IFRS, to use the previous Canadian GAAP carrying amount of items of PP&E and intangible assets as deemed cost (thereby eliminating any accumulated depreciation balances existing at the date of transition); hence there will be no impact on retaining earnings for opening balances of PP&E and intangible assets at the date of transition. In accordance with the election, Midland PUC has tested these items of property, plant and equipment and intangible assets at the date of transition to IFRS. No impairment losses were recognized.

MIDLAND POWER UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

24. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Transfers of Assets from Customers

Midland PUC has elected to apply the IFRS 1 election to only apply IFRIC 18 prospectively from the date of transition to non-repayable supply contribution made by customers.

Reconciliations of pre-changeover Canadian GAAP equity and comprehensive income to IFRS

IFRS 1 requires an entity to reconcile cash flows, equity, and comprehensive income for prior periods as shown below.

In the statement of changes in cash flows, there is a reclassification from the movement in regulatory assets and regulatory liabilities to a movement in the regulatory deferral account balance. These are both shown as movements within investing activities and as such do not result in material adjustments to the net cash flow balance.

The explanations for the impact of the transition to IFRS on the specific accounts is described below. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS are provided below. Other than the related deferred taxes, all other items have no impact on Equity or Comprehensive Income as they are reclassifications within the relevant statements.

Equity

	Note	December 31, 2014	January 1, 2014
Equity as reported under Canadian GAAP		\$ 10,500,062	\$ 10,001,590
Adjustments to Retained Earnings:			
Deferred Taxes	8	(253,954)	(57,438)
Employee future benefits	9	-	6,848
Equity as reported under IFRS		\$ 10,246,108	\$ 9,951,000

	Note	Year ended December 31, 2014
Net Income		
Net income as reported under Canadian GAAP		\$ 898,470
Adjustments for transition:		
Deferred taxes	8	(196,514)
Employee future benefits		(6,848)
Net income as reported under IFRS2		\$ 695,108

i) Regulatory assets and liabilities

Regulatory assets and liabilities that were recognized under pre-changeover Canadian GAAP have been reclassified to the regulatory deferral account balance as either a debit or a credit balance. The amount recorded as a regulatory asset and liability, respectively, under pre-changeover CGAAP was \$421,852 and \$179,027. This transitional adjustment is a reclassification on the Balance Sheet and has no impact on the Statement of Changes in Equity or the Income Statement.

24. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

ii) Contributions in Aid of Construction

Under IFRS Contributions in aid of construction are recognized as deferred revenue and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset in the Statement of Comprehensive Income. The impact of this transitional adjustment related to Contributions in Aid of Construction is an increase in assets and an increase in liabilities on the Statement of Financial Position. On transition, \$1,870,599 was reclassified as deferred revenue from property plant & equipment.

iii) Borrowing Costs

Borrowing costs that were not recognized as a regulatory asset or liability were previously expensed under pre-changeover Canadian GAAP. Under IFRS, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Since Midland PUC has elected to take the Borrowing Costs exemption, there is no transitional adjustment.

25. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2016 or later years. As discussed in note 3, Midland PUC early adopted IFRS 14, Regulatory Deferral Accounts. In addition as disclosed in note 2 under significant judgements and estimates, Midland PUC applied judgments related to the order and exclusion of immaterial disclosures, consistent with the amendment to IAS 1, Presentation of Financial Statements, which were also adopted early.

Midland PUC has not yet determined the extent of the impact of the following new standards, interpretations and amendments, which have not been applied in these financial statements:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

SCHEDULE 2.3 – FORM OF ESCROW AGREEMENT

See attached.

THIS AGREEMENT dated this 31st day of May, 2017 (the “**Effective Date**”)

BETWEEN:

THE CORPORATION OF THE TOWN OF MIDLAND

As Vendor

– and –

NEWMARKET-TAY POWER DISTRIBUTION LTD.

As Purchaser

– and –

BORDEN LADNER GERVAIS LLP

As Escrow Agent

RECITALS:

- A. The Vendor and the Purchaser entered into a purchase agreement (the “**Purchase Agreement**”) dated May 31, 2017 providing for the purchase and sale of all of the issued and outstanding shares of Midland Power Utility Corporation (the “**Corporation**”).
- B. Pursuant to Section 2.3(a) of the Purchase Agreement, concurrently with the execution and delivery of the Purchase Agreement, the Purchaser shall deliver the Deposit to the Escrow Agent in trust and in accordance with the terms of this Agreement.
- C. The preceding recitals and statements of fact are made by the Vendor and the Purchaser and not by the Escrow Agent.

IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

**ARTICLE 1
INTERPRETATION**

- 1.1 **Definitions.** In this Agreement, including the Recitals to this Agreement, capitalized terms not otherwise defined herein shall have the meaning ascribed thereto under the Purchase Agreement:

- (1) **“Agreement”** means this escrow agreement as amended, supplemented, restated and replaced from time to time in accordance with its provisions.
- (2) **“Escrow Agent”** means Borden Ladner Gervais LLP, a limited liability partnership duly constituted under the laws of the Province of Ontario.
- (3) **“Parties”** means collectively the Vendor, the Purchaser and the Escrow Agent, and **“Party”** means any of them.
- (4) **“Purchaser”** means Newmarket-Tay Power Distribution Ltd., a corporation incorporated under the laws of Ontario.
- (5) **“Purchase Agreement”** has the meaning attributed to that term in the Recitals.
- (6) **“Vendor”** means The Corporation of the Town of Midland, a municipal corporation incorporated under the laws of Ontario.

1.2 **Certain Rules of Interpretation.** In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement; and
 - (ii) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.3 **Performance on Business Days.** If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.4 **Currency and Payment.** In this Agreement, unless specified otherwise references to dollar amounts or “\$” are to Canadian dollars.

ARTICLE 2 ESCROW

2.1 **Appointment of Escrow Agent.** The Vendor hereby appoints, and the Purchaser hereby concurs in the appointment of, the Escrow Agent to act as escrow agent, in accordance

with the terms and conditions set out in this Agreement and the Escrow Agent hereby accepts that appointment.

- 2.2 **Delivery of Deposit into Escrow.** The Purchaser shall deliver the Deposit to the Escrow Agent on the date of this Agreement. The Escrow Agent shall hold and dispose of the Deposit in accordance with, and subject to the terms and conditions, of this Agreement.
- 2.3 **Interest on Deposit.** The Escrow Agent shall invest and retain the Deposit in its name, in a daily interest bearing account with any Canadian chartered bank listed on Schedule 1 of the *Bank Act* (Canada). At the Time of Closing, the Deposit and any and all interest accrued thereon (the “**Interest**”) shall be paid by the Escrow Agent to the applicable party in accordance with Sections 2.4 and 2.5 of this Agreement.
- 2.4 **Release of Escrow Property and Interest.** The Escrow Agent shall retain the Deposit and Interest until the Time of Closing and upon the occurrence of this event, the Escrow Agent shall release the Deposit and Interest only in accordance with the following:
- (1) the joint written direction of the Purchaser and the Vendor to the Escrow Agent, and the Escrow Agent shall be entitled to act on such joint written direction; or
 - (2) if the parties are unable to provide such joint written direction, in accordance with Sections 3.6, 3.7 and 3.9 of this Agreement.
- 2.5 **Joint Written Direction Interest Payment.** For purposes of the joint written direction in Section 2.4(1), the Vendor and Purchaser shall determine and specify in the joint written direction the party that is entitled to the Deposit and/or Interest as of the Time of Closing, as follows:
- (1) if the conditions set forth in Article IX of the Purchase Agreement have been satisfied or complied with by each of the Vendor and Purchaser, as applicable, or the Vendor or the Purchaser, as applicable, waives compliance therewith in whole or in part on such terms as may be agreed in writing, the Escrow Agent shall pay: (a) the Deposit to the Vendor; and (b) the Interest to the Purchaser; or
 - (2) if the conditions set forth in Section 9.1 of the Purchase Agreement have not been satisfied or complied with and the Purchaser does not waive compliance therewith in whole or in part on such terms as may be agreed in writing, the Deposit, together with any Interest earned thereon, but less any fees or costs payable by the Purchaser pursuant to Section 13.6 of the Purchase Agreement not yet then paid by the Purchaser, shall be refunded to the Purchaser; or
 - (3) if the Transactions contemplated in the Purchase Agreement are not completed by the Closing Date due to the breach of the terms of the Purchase Agreement by the Purchaser and the conditions set forth in Section **Error! Reference source not found.** therein have been satisfied, complied with or waived, the Deposit, together with any Interest earned thereon, shall be released to the Vendor and applied by the Vendor against Losses suffered by the Vendor without limiting the Vendor’s right to recover the balance of such Losses, if any.

- 2.6 **Termination of Escrow.** Upon the release and disbursement by the Escrow Agent of the all of the Deposit and Interest in accordance with the terms of this Agreement, this Agreement will terminate and be of no further force and effect, except to the extent necessary in order for Sections 3.3, 3.5, 3.6 and 3.7 to continue to be of full force and effect, and the Escrow Agent will be automatically released from all of its duties and liabilities under this Agreement.

**ARTICLE 3
CONCERNING THE ESCROW AGENT**

3.1 **Duties and Liability of Escrow Agent.**

- (1) The Escrow Agent has no duties other than those duties expressly set forth in this Agreement. The Escrow Agent will not refer to, and is not bound by, the provisions of any agreement other than the terms of this Agreement and no implied duties or obligations of the Escrow Agent may be read into this Agreement.
 - (2) Notwithstanding anything contained in this Agreement or in the Purchase Agreement to the contrary, the Escrow Agent has no duty to determine the performance or non-performance of any term or provision of the Purchase Agreement, has no obligation or responsibility to determine any dispute or evaluate any equities between the parties regardless of any knowledge or any fact that the Escrow Agent may have or receive, and has no obligations, responsibilities or liability arising under any other agreement to which the Escrow Agent is not a party, even though reference to such other agreement may be made in this Agreement or the Purchase Agreement.
 - (3) Nothing in this Agreement is to be construed as creating a relationship of trust between the Escrow Agent and the Vendor and Purchaser or either of them. The Vendor and the Purchaser understand and agree that the duties of the Escrow Agent under this Agreement are purely ministerial in nature and that the Escrow Agent is not liable for any error, judgement, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own fraud, gross negligence or wilful misconduct.
 - (4) The Escrow Agent is not under any duty to give the Deposit held by it under this Agreement any greater degree of care than it gives its own similar property. The Escrow Agent's duties with respect to delivery of the Deposit under this Agreement will be fully performed by delivering the Deposit and any Interest accrued thereon in accordance with Section **Error! Reference source not found.**
 - (5) The appointment of the Escrow Agent is a personal one and the duty of the Escrow Agent is only to the other Parties, their successors and assigns, and to no other Person whomsoever.
- 3.2 **Legal Counsel.** The Escrow Agent has the right to consult with counsel of its own choice and is not be liable for any action taken, suffered or omitted to be taken by it if the Escrow Agent acts in accordance with the advice of such counsel.

3.3 **Indemnity.** The Purchaser and the Vendor hereby jointly and severally indemnify and shall save harmless the Escrow Agent from and against any and all actions, causes of action, Claims, Losses, demands, Damages, expenses, costs, liabilities, penalties and expenses whatsoever and to reimburse the Escrow Agent for any legal or related expenses, including those of its own partners and associates (collectively, the “Claims”) which the Escrow Agent, its partners, associates, employees and agents may suffer or incur in connection with its acting as Escrow Agent under this Agreement, other than Claims arising as a result of the fraud, gross negligence or wilful misconduct of the Escrow Agent in the performance of its duties under this Agreement. The Escrow Agent, its partners, associates, employees and agents will in no event be liable for any loss, Claim or indirect, consequential, incidental or punitive damages to either the Vendor or the Purchaser, regardless of whether or not such Losses, Claims or Damages were reasonably foreseeable by the Escrow Agent.

3.4 **Reliance.**

(1) The Escrow Agent may:

- (a) act in reliance on any writing or instrument or signature which it, in good faith, believes to be genuine;
- (b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and
- (c) assume that any Person purporting to give any written notice, advice or instructions on behalf of any of the other Parties in connection with the provisions of this Agreement has been duly authorized to do so.

The Escrow Agent is not, as such, liable in any manner for the sufficiency or correctness as to form, execution, or validity of any document, nor as to the identity, authority, or right of any Person executing the document.

(2) Nothing in this Agreement makes the Escrow Agent responsible, or liable in any manner for the sufficiency, correctness, genuineness or validity of any document forming part of the Deposit.

(3) The Escrow Agent is not required to make any determination or decision with respect to the validity of any Claim made by any Party, or of any denial thereof but is entitled to rely conclusively on the terms of this Agreement and the documents tendered to it in accordance with the terms of this Agreement.

3.5 **Disputes.** If there is any dispute as to whether the Escrow Agent is obligated to deliver the Deposit and Interest, the Escrow Agent shall hold such Deposit and Interest until receipt of an authorization in writing executed by each of the Vendor and the Purchaser directing the delivery thereof, or in the absence of such authorization, the Escrow Agent may hold the Deposit and Interest until the final determination of the rights of the Parties in an appropriate court proceeding. If such written authorization is not given, or proceedings for such determination have not begun and been diligently continued, the

Escrow Agent may bring, but is not required to bring, an appropriate action or proceeding pursuant to Section 3.6 for leave to deposit the Deposit and Interest in court, pending such determination. If a judicial proceeding is instituted by the Escrow Agent, the Escrow Agent will be entitled to reasonable solicitor's fees.

3.6 **Interpleader.** Without limiting Section 3.5, if:

- (a) any action is threatened or instituted against the Escrow Agent;
- (b) any dispute arises, or any action is threatened or instituted, concerning the entitlement of a Party to the Deposit and/or Interest; or
- (c) if at any time the Escrow Agent is uncertain as to its obligations under this Agreement,

the Escrow Agent may apply to a court of competent jurisdiction in the Province of Ontario for clarification or directions with respect to its obligations under this Agreement, and in such event, or if any other person should apply to a court of competent jurisdiction (which must be in the Province of Ontario) on any matter affecting the obligations of the Escrow Agent under this Agreement or otherwise relating to the Deposit and/or Interest, the Escrow Agent may and is hereby authorized to release, deliver or otherwise deal with the Deposit and Interest in accordance with the directions, order, judgment or decree of such court.

3.7 **Court Orders.**

- (1) The Escrow Agent is hereby authorized, in its sole discretion, to comply with all writs, orders or decrees entered or issued, whether with or without jurisdiction, which purport to:
 - (a) attach, garnish or be levied on any part of the Deposit and Interest;
 - (b) stay or enjoin the disbursement, payment or delivery of any part of the Deposit and Interest; or
 - (c) affect any part of the Deposit and Interest in any way.

The Escrow Agent is not liable to any of the other Parties or to any other Person because it obeys or complies with any such writ, order or decree, even if such writ, order or decree is subsequently reversed, modified, annulled, set aside or vacated.

3.8 **No Disqualification.** Each of the Vendor and the Purchaser acknowledges that the Escrow Agent:

- (a) acts as counsel to the Vendor and may continue to act as counsel to Vendor in all matters including any matters in dispute between the Vendor and the Purchaser and any issue arising out of or in connection with this Agreement or the Deposit and Interest; and

(b) in so acting, is not disqualified from acting as Escrow Agent under this Agreement and is deemed not to be in conflict by reason of performing its duties under this Agreement.

3.9 **Resignation, Removal and Replacement of Escrow Agent.** The Escrow Agent may resign by notice to the other Parties. Upon the effective date of such resignation, the Escrow Agent shall deliver the Deposit and Interest then held by it under this Agreement to such Person as may be jointly designated in writing by the Vendor and the Purchaser as the new escrow agent (the “**Successor Escrow Agent**”). If the Vendor and the Purchaser fail to deliver such a written designation, the Escrow Agent will not resign its position until such designation is delivered or until the Deposit and Interest then held are delivered to the control of a court of competent jurisdiction. Upon the delivery of the Deposit and Interest to the Successor Escrow Agent or to the control of a court of competent jurisdiction, all of the Escrow Agent’s obligations as escrow agent under this Agreement will cease and terminate.

ARTICLE 4 GENERAL

4.1 **Time of Essence.** Time is of the essence of this Agreement.

4.2 **Amendment.** This Agreement may be supplemented, amended, restated or replaced only by a written agreement signed by each Party.

4.3 **Waiver of Rights.** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of such right. No single or partial exercise of any such right precludes any other or further exercise of such right or the exercise of any other right.

4.4 **Jurisdiction.** Each Party irrevocably and unconditionally attorns to the exclusive jurisdiction of the courts of the province of Ontario.

4.5 **Governing Law.** This Agreement and any dispute arising from or in relation to this Agreement is governed by, and interpreted and enforced in accordance with, the law of the Province of Ontario and the laws of Canada applicable in that Province, excluding the choice of law rules of that Province.

4.6 **Entire Agreement.** This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. There are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or which induced any Party to enter into this Agreement. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after

entering into, this Agreement by any Party to this Agreement to any other Party, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement and none of the Parties has been induced to enter into this Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.

4.7 **Notices.**

- (1) Any notice, demand or other communication (in this Section 4.7, a “**notice**”) required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:
- (a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below;
 - (b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; or
 - (c) sent by facsimile transmission, with confirmation of transmission by the transmitting equipment (a “**Transmission**”);

in the case of a notice to the Vendor addressed to it at:

The Corporation of the Town of Midland
575 Dominion Ave
Midland, Ontario
L4R 1R2

Attention: Chief Administrative Officer
Fax: (705) 526-9971

and in the case of a notice to the Purchaser, addressed to it at:

590 Steven Court
Newmarket, ON
L3Y 6Z2

Attention: President
Fax No.: (905) 895-8931

and in the case of a notice to Escrow Agent, addressed to it at:

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, Ontario, Canada

M5H 4E3

Attention: J. Mark Rodger, Partner
Facsimile No.: 416.361.7088

- (2) Any notice sent in accordance with this Section 4.7 shall be deemed to have been received:
- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (b) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of such disruption;
 - (c) if sent by facsimile during normal business hours on a Business Day in the place where the transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or
 - (d) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by Transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, shall be deemed to have been received on the next succeeding Business Day in the place where the notice is received.

- (3) Any Party may change its address for notice by giving notice to the other Parties.

4.8 **Assignment.** No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Parties except for the Escrow Agent's right to resign pursuant to Section 3.9.

4.9 **Further Assurances.** Each Party shall, at the expense of another Party, promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that such other Party may reasonably require, for the purposes of giving effect to this Agreement.

4.10 **Successors and Assigns.** This Agreement is binding on, and enures to the benefit of, the Parties and their respective heirs, administrators, executors, successors and permitted assigns.

4.11 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which is deemed to be an original and all of which taken together constitutes one agreement. To evidence the fact that it has executed this Agreement, a Party may send a

Execution Version

copy of its executed counterpart to all other Parties by Transmission and the signature transmitted by Transmission is deemed to be its original signature for all purposes.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the Effective Date.

THE CORPORATION OF THE TOWN OF MIDLAND

By: _____
Name: Gord A. McKay
Title: Mayor

By: _____
Name: John Skorobohacz
Title: Chief Administrative Officer

NEWMARKET-TAY POWER DISTRIBUTION LTD.

By: _____
Name: Paul Ferguson
Title: President

BORDEN LADNER GERVAIS LLP

By: _____
Name: J. Mark Rodger
Title: Partner

SCHEDULE 2.4(A) – EXAMPLE PURCHASE PRICE ADJUSTMENT

See attached.

Schedule 2.4 (a)

Price Adjustment Illustration

	Initial Dec. 31 2015 Values	Closing Financial Statement Values		
		Example 1	Example 2	Example 3
Assets/Liabilities				
PP&E and intangible assets	13,685,643	13,578,289	14,000,000	14,000,000
CIAC*	2,105,249	2,102,510	2,200,000	2,200,000
NFA	11,580,394	11,475,779	11,800,000	11,800,000
Long-term debt	3,862,716	3,724,029	3,900,000	3,900,000
NFA Index		1.7	1.7	1.7
Working Capital				
Current assets				
Trade receivables	1,967,131	2,212,282	2,212,282	2,212,282
Unbilled revenues	2,580,942	2,731,157	2,731,157	2,731,157
PILs Receivable	6,154	-97,986	-97,986	-97,986
Inventories	186,361	183,713	183,713	183,713
Prepaid expenses/deposits	156,382	132,905	132,905	132,905
Sub-total	4,896,970	5,162,071	5,162,071	5,162,071
Current liabilities				
Bank debt	1,200,000	860,000	860,000	900,000
Accounts payable and accrued Liabs	3,037,423	3,477,845	3,477,845	3,477,845
Current portion of long-term debt	554,418	570,724	597,692	597,692
Current portion of customer deposits	115,754	226,428	226,428	226,428
Deferred revenue	6,362	9,352	9,352	9,352
Sub-total	4,913,957	5,144,349	5,171,317	5,211,317
Working capital	-16,987	17,722	-9,246	-49,246

* Includes current portion of CIAC.

Price adjustments				
Working capital		34,709	7,741	-32,259

Net Fixed Assets	-177,846	373,330	373,330
Long-term debt	138,687	-37,284	-37,284
Departure tax	0	0	0
Total adjustments	-4,450	343,787	303,787

Recommendation:
Define Initial NFA as = \$11,580,394

Define Initial Working Capital as = $-\$16,897$

Define Initial Long-term Debt as = $\$3,862,716$

SCHEDULE 3.1(I) – CONSENTS AND REQUIRED APPROVAL (VENDOR OR THE CORPORATION)

1. The consent of Ontario Infrastructure and Lands Corporation pursuant to the terms of a financing agreement between the Corporation and Ontario Infrastructure and Lands Corporation, dated November 19, 2012, as amended on February 21, 2013, May 21, 2014, April 26, 2016 and on December 31, 2016.
2. The consent of Ontario Infrastructure and Lands Corporation pursuant to the terms of a financing agreement between the Corporation and Ontario Infrastructure and Lands Corporation, dated April 19, 2017.

Note, although not a Governmental Authority the consent of The Toronto-Dominion Bank is required pursuant to the terms of a loan agreement between The Toronto-Dominion Bank and the Corporation, dated October 23, 2014, as amended on April 28, 2015, July 6, 2015, and December 1, 2016.

SCHEDULE 3.1(L) – REAL PROPERTY AND LEASED PROPERTY

Owned Real Property:

Item	Municipal Address and Description	Legal Description
1	16984 Highway 12 (Main Office and Operations Centre)	Part Lot 100, Concession 1, Town of Midland (formerly Township of Tay), as shown on Registered Plan No. 51R-27462 (see copy of Plan) PIN58513-0134(LT)
2	824 William Street (Dorian Substation)	Part of Lot 101, Concession 2, Town of Midland (formerly Township of Tay) as set out on Plan 51R-4078 (see copy of Plan) PIN58474-0237(LT)

Leased Property:

SUBSTATIONS		
Item	Roll Number	Location
1	010-001-11000	67 Fourth Street (Substation) Pl.357, Lt. 39-41, Conc.1, Pt. Lt.108-109, RP51R26146, Pt. 4 PIN58452-0018(LT)
2	020-015-66000	850 Brandon Street (Substation) Conc.3, Pt. Lt. 101, RP51R4094, PIN58474-0229(LT)
3	020-002-12000	187 Queen Street (Substation) Plan 166 Lt.15 PIN58466-0058(R)
4	020-009-19100	328 Scott Street (Substation) Plan 649 Lt. 27 PIN58472-0207(LT)
5	010-013-19200	809 Montreal Street (Substation) Plan 467, Range C, Pt. Lt. 1, RP51R17766, Pt. 4 & 5 PIN58458-0085(LT)

ANTENNAE & EQUIPMENT BUILDING		
Item	Roll Number	Location
1	020-011-05000	Russell & Hanly Street Water Standpipe South Pt. Lot 104, Concession 2, Formerly Township of Tay PIN58473-0545(R)
2	43 74 010 007	Dominion Avenue

	11800	Water Tower Plan 306 Lot 48 to 49 PIN58461-0032(LT)
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SCHEDULE 3.1(L)(VI) – TOWN PROPERTY

Municipal Address:

16984 Hwy 12
PO Box 820
Midland, Ontario

Property Description:

PCL 100-6 SEC 51-TAY-1; PT N1/2 LT 100 CON 1 TAY PARTS 5 & 6 51R27462; S/T PT 6 51R27462 AS IN LT343394; MIDLAND being all of PIN 58513-0134(LT).

Leases:

1. Lease Agreement dated June 21, 2011 between the Corporation, as landlord, and Brightside Management Company Inc., as tenant, as amended by amending agreements dated June 24, 2016, October 28, 2016 and March 31, 2017, respectively.
2. Telecommunications Site Agreement dated April 1, 2007 between the Corporation, as licensor, and Rogers Communications Inc., as licensee, as amended by an amending agreement dated September 27, 2010, an amending agreement dated May 22, 2012 and as extended by Rogers Communications Inc. pursuant to a notice dated December 6, 2016 and as extended by a lease agreement dated March 31, 2017.

SCHEDULE 3.1(M) –INTELLECTUAL PROPERTY

1. See attached copy entitled “Midland PUC Microsoft License Purchase Summary” with respect to software licences for Microsoft products by the Corporation.
2. Information Technology Services Agreement dated October 1, 2016 between the Corporation and Compu-SOLVE Technologies Inc.
3. Sage Business Care Plan and Payroll Update Plan, Account Number 40000328010.
4. Application for Licence of USF.dwg Files between Utilities Standards Forum, as licensor, and the Corporation, as licensee.
5. Software Licence Agreement between the Corporation and SPIDAWeb LLC dated February 24, 2012.
6. EBT HUB Services Agreement between ERTH Business Technologies Inc. and the Corporation.
7. EBT HUB Connector Support Services Agreement between ERTH Business Technologies Inc. and the Corporation.
8. EnergyAxis Supply Contract Agreement between the Corporation and Elster Metering dated March 19, 2010, as amended by an amending agreement dated February 13, 2014.
9. Bell Mobility Corporate Account Agreement dated July 29, 2015 between the Corporation and Bell Mobility Inc.
10. Master Services Agreement between 437967 Ontario Limited (doing business as a Savage Data System) and the Corporation dated June 12, 2015.
11. Utilismart Corporation Agreement between the Corporation and Utilismart Corporation dated November 1, 2006 (together with all renewals in respect thereof).

SCHEDULE 3.1(N) – EMPLOYMENT CONTRACTS AND COMMITMENTS

See Confidential Disclosure Schedule.

SCHEDULE 3.1(O) – MATERIAL CONTRACTS

1. Financing agreement between the Corporation and Ontario Infrastructure and Lands Corporation, dated November 19, 2012, as amended on February 21, 2013, May 21, 2014, April 26, 2016 and December 31, 2016.
2. Financing Agreement between the Corporation and Ontario Infrastructure Projects Corporation, dated October 22, 2009, as amended on January 23, 2013, May 7, 2015, April 26, 2016 and on December 31, 2016.
3. Financing Agreement between the Corporation and Ontario Infrastructure and Lands Corporation, dated April 15, 2015, as amended on April 26, 2016 and on December 31, 2016.
4. Financing Agreement between the Corporation and Ontario infrastructure and Lands Corporation, dated April 19, 2017.
5. Loan agreement between The Toronto-Dominion Bank and the Corporation, dated October 23, 2014, as amended on April 28, 2015, July 6, 2015, and December 1, 2016.
6. Shareholder Agreement in respect of Utility Collaborative Services Inc. (“UCS”) dated November 20, 2009, as amended, together with a member agreement between the Corporation, UCS and the shareholders of UCS.

SCHEDULE 3.1(P) – EMPLOYEE PLANS

1. Participation Agreement between the Corporation and the Benefits Trust dated August 1, 2014.
2. Benefits Administration Agreement effective January 1, 2011 between the Corporation and MEARIE Management Inc.
3. Resolution of Mid-Ontario Energy Services Inc. (a predecessor corporation of the Corporation) to participate as an “associated employer” dated November 27, 2000 with respect to the Ontario Municipal Employees Retirement System (OMERS).
4. Policy and Procedure Manual Policies affecting Employees: Medical Appointments Policy dated May, 2004; Overtime Policy dated May, 2004; Rest Period After Overtime Policy dated May, 2004; Retirement Policy dated May, 2004; Staff Christmas Gift Policy dated May, 2004; Use of Company Tools & Equipment Policy dated May, 2004, Management Vacation Policy dated June, 2012
5. Management Vacation, Leave, Benefits and Work Life Balance schedule as set out under Data Room - 10.13 Management and Employees
6. Post-Retirement Benefits Life Insurance Benefits through The MEARIE Group Schedule 1 – Benefits Table as per Actuarial Valuation dated February 12, 2015 from Collins Barrow Toronto Actuarial Services Inc. updated as at December 31, 2016 – Collins Barrow Toronto dated February 16, 2017.

SCHEDULE 3.1(Q) – COLLECTIVE AGREEMENT

1. Collective Agreement between Local Union 636 of the International Brotherhood of Electrical Workers and the Corporation effective March 1, 2015.

SCHEDULE 3.1(S) – INSURANCE POLICIES

Name of Insurer	Amount of Coverage (Limit)	Type of Insurance	Policy Number	Pending Claims
Municipal Electric Association Reciprocal Insurance Exchange (MEARIE)	\$30,000,000 per occurrence \$10,000,000 for Terrorism \$10,000,000 Non-Regulated Professional Services	1. General Liability including: a. Premises and Operations b. Products and Completed Operations 2. Bodily Injury Liability 3. Personal Injury Liability 4. Property Damage Liability 5. Tenant's Legal Liability 6. Environmental Impairment 7. Errors & Omissions/Professional Liability 8. Non-Owned Automobile 9. Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) 10. Enhanced Plus+ Directors & Officers Liability 11. Privacy, Cyber & Network Security Liability	L2017MIDL1	N/A
	\$21,000,000	All vehicles owned or leased	V2017MIDL1	
	\$12,493,815	Property and Equipment, including substations and transformers; crime insurance	P2017MIDL1	

SCHEDULE 3.1(V) – TAXES

The following assessments remain open and/or outstanding:

1. PILs audit by the Ministry of Finance which took place in November, 2016 covering the period from January 1, 2012 to December 31, 2013, and for which a final CRA report is outstanding and MPUC has been advised that there is an adjustment to be made for meal and entertainment expenses which were not included in its 2012 and 2013 tax returns (\$633 and \$455, respectively).

SCHEDULE 3.1(W) – PERMITTED ENCUMBRANCES

Municipal Address:

824 William Street, Midland, Ontario

Legal Description:

PT LT 101 CON 2 TAY PT 1, 51R4078; T/W RO1446846; MIDLAND
PIN 58474-0237 (LT)

Encumbrances:

1. Instrument No. RO166873 is a By-law registered May 30, 1963;
2. Instrument No. RO213545 is a By-law registered November 25, 1965; and
3. Instrument No. RO1446846 is a Transfer to Midland Public Utilities Commission registered October 20, 2000.

SCHEDULE 3.1(Y) – LICENCES

1. Electricity Distribution Licence ED-2002-0541 issued to the Corporation on November 26, 2003.
2. Radio License issued to the Corporation under the authority of the Minister of Industry in accordance with the *Radiocommunication Act* and Regulations made thereunder dated June 1, 2013, # 010519917-001.
3. Radio License issued to the Corporation under the authority of the Minister of Industry in accordance with the *Radiocommunication Act* and Regulations made thereunder dated June 1, 2013, # 010507947-001.
4. Radio License issued to the Corporation under the authority of the Minister of Industry in accordance with the *Radiocommunication Act* and Regulations made thereunder dated June 1, 2013, # 010445875-001.
5. Radio License issued to the Corporation under the authority of the Minister of Industry in accordance with the *Radiocommunication Act* and Regulations made thereunder dated April 13, 1999, # 010408109-001.
6. Ministry of the Environment (Ontario), registration of the Corporation with the Hazardous Waste Information Network.
7. Limited Licenced Electrical Contractor issued to the Corporation on December 4, 2006 by the Electrical Contractor Registration Agency of the Electrical Safety Authority, License Number #7003468.
8. Commercial Vehicle Operator's Registration by the Ontario Ministry of Transportation issued to the Corporation, registration number 137-288-444.

SCHEDULE 3.2(G)- CONSENTS AND APPROVALS (PURCHASER)

Nil.

SCHEDULE 5.2 – CONDUCT OF BUSINESS PRIOR TO CLOSING

Nil.

SCHEDULE 6.2 – PARTICIPATION IN COMMUNITY EVENTS AND PROGRAMS

1. Community In-Kind Services. The Purchaser agrees to use commercially reasonable efforts to maintain the following in-kind community services, with the ability to add and remove items subject to the review of the Advisory Committee, with the expectation that the services of similar type of value will be maintained.

- Banners (e.g. Santa Claus Parade, Canada Day celebrations, etc.)
- Town of Midland parking lot lighting
- Help with dangerous trees and/or limbs
- Flags at the Town of Midland Hall/Police Department
- Flags and Lighting of the Town of Midland's Dock
- Underground fault locating for pump lines at the Flume
- Shoe removal from lights and wires
- Tree trimming around Town downed power lines
- Museum parking lot lighting
- Stand Christmas tree
- Student Summer & Co-Op Positions will continue to be offered to local students
- Bill inserts, bill analysis of the Town of Midland's hydro billing accounts, energy conservation services for the Town of Midland.
- Participation in Town Department Committees. I.e. Technical Review Committee, Emergency Management Committee etc.

SCHEDULE 6.3 – ECONOMIC DEVELOPMENT IN THE COMMUNITY

1. The Corporation provides services to customers and developers for work performed at the following hourly rates: \$80 per hour for regular hours between 9 am and 5 pm and \$160 per hour for overtime. Quotations from the Corporation are valid for a period of between 30 to 90 calendar days. Rates will be subject to adjustment from time to time.
2. Midland PUC contracts with and/or purchases goods and/or services to the extent commercially reasonable to do so from the following local businesses:
 - a. Hapamp Elmvale Ltd.;
 - b. Charles Morden Construction Inc.;
 - c. Garden-All Services; Dave Fournier Landscaping;
 - d. Fred Hook Ltd.;
 - e. Herb Carpenter Limited;
 - f. Compusolve Technologies Inc.;
 - g. Huronia Alarm & Fire;
 - h. Staples Advantage Canada;
 - i. Home Depot;
 - j. Canadian Tire;
 - k. Midland Printers;
 - l. The Sargeant Co. Ltd.;
 - m. Tom Smith Chevrolet Buick GMC Limited; and
 - n. local car dealerships; local newspapers; local retail stores where appropriate.

SCHEDULE 6.8 – SERVICE QUALITY AND SERVICE STANDARDS

Customer Service Standards

* OEB Metrics

1. Low Voltage/High Voltage Connections (time to connect)
2. Telephone Accessibility (% of calls answered expediently)
3. Appointments Met/Appointments Scheduled and Rescheduled (meeting customers commitments)
4. Written Responses to Customer Inquiries (time to respond)
5. Emergency Response (Urban) Times (time to respond)
6. Reconnection Performance Standard (time to reconnect)
7. Micro-embedded Generation Facilities (time to connect)

Reliability

* OEB Metrics

1. System Average Interruption Duration Index (SAIDI)
2. System Average Interruption Frequency Index (SAIFI)

Customer Satisfaction

1. Billing Accuracy (% of correct bills)
2. First Contact Resolution (% of calls answered by first LDC contact)
3. Customer Satisfaction Survey Results

Safety

1. Level of public awareness
2. Level of compliance with Reg 22/04
3. Serious electrical incident index

SCHEDULE 6.17(B) – SERVICE ARRANGEMENTS WITH THE TOWN OF MIDLAND

- Purchaser to continue to have the Corporation’s vehicles serviced by the Town for three years after Closing (average cost is approximately \$15,000 per year).
- Purchaser to continue the existing Streetlight Maintenance arrangements up to a maximum of \$30,000 per year for two years after Closing.

SCHEDULE "F"



The Corporation of the Town of Midland

Resolution No. 2017-

Date: April 20, 2017

MOVED BY:

SECONDED BY:

That Council having received the details respecting the negotiations between the short listed proponent and the Town's Legal and Financial Team, including the advice arising from the due diligence of the Town's Midland PUC Transaction Committee, the Council hereby authorizes the sale of all the issued and outstanding shares of Midland PUC ("MPUC") to the proponent subject to the finalization of the Share Purchase Agreement, substantially in the form as described and presented to Council on April 20, 2017, including a lease between the Town and the proponent for the operations and administrative centre located at 16984 Hwy 12 Midland, and various other ancillary agreements, documents, deeds and instruments, collectively the "Sale Agreements", and That the Town authorizes the Midland PUC Transaction Committee (the "Committee") to work with Mark Rodger of Borden Ladner Gervais LLP and other professional advisors to negotiate and finalize the Sale Agreements, and

That the Mayor and the Town Clerk are authorized for and on behalf of the Town to execute and deliver the Sale Agreements, in the forms reviewed and approved by the Committee, under the seal of the Town as may be necessary, and

That the Mayor and the Town Clerk are also authorized to do all such acts and things and to execute and deliver all such documents (including resolutions of the Town in its capacity as sole shareholder of MPUC) as in their opinion may be necessary or desirable to complete the sale transaction hereby approved and authorized, under the seal of the Town as may be necessary, and

That the MPUC Board of Directors be requested to designate and authorize the Chair of the Board of Directors and the President & CEO of Midland PUC, on behalf of the board of directors of Midland PUC, to execute and deliver any Sale Agreements to which it is a party and all such other agreements, consents, notices, amendments, instruments, certificates and other documents including but not limited to amendments to the Sale Agreements to which it is a party and all documents required to effect the closing of the Sales Agreements to which it is a party and to do all acts and things necessary or advisable in connection with the Sales Agreements to which it is a party, and

That the Director of Finance and the CAO be directed to present a proposed investment strategy that achieves a sustainable financial plan with a series of options for Council's future consideration.

That in continuing demonstration of the Town of Midland's commitment to ensuring that the public is informed on the sale transaction to the proponent, that Town staff be directed to organize a public information meeting or open house, and furthermore the Mayor be encouraged to attend as many public speaking events as possible in this regard.

Carried: Defeated: Deferred:



MAYOR or CHAIR

Newmarket shareholder resolution:

Town Council Electronic Extract - Date: March 6, 2017

Report by Newmarket-Tay Power Distribution Ltd. regarding Approval of Bid for the Acquisition of Another Utility.

THAT the Newmarket-Tay Power Distribution Ltd. (“NT Power”) Report of the President dated February 23, 2017 regarding the submission of a binding offer to acquire another electric distribution utility be received and the following recommendations be adopted:

WHEREAS NT Power received a request for proposals and confidential information memorandum for a sale transaction involving another electric distribution utility (the “Target”) on December 9, 2016 (the “RFP”);

AND WHEREAS confidential briefing memoranda from Paul Ferguson, President of NT Power regarding the RFP dated January 18, 2017, February 10, 2017 and February 23, 2017 (the “Confidential Briefing Memos”) have been provided to the directors of NT Power, the municipal council of the Town of Newmarket and the municipal council of the Township of Tay;

AND WHEREAS Article 3.05 of a Shareholders Agreement between Newmarket Hydro Holdings Inc. (“Newmarket Holdco”), Tay Hydro Inc. (and together with Newmarket Holdco, the “Shareholders”), NT Power, The Corporation of the Township of Tay and The Corporation of the Town of Newmarket dated April 30, 2007 (the “Shareholders Agreement”) requires approval by all of the Shareholders (i) for the purchase of any assets or business by NT Power or any Subsidiary (as defined in the Shareholders Agreement), other than the ordinary course of Business (as defined in the Shareholders Agreement), having a value in excess of 20 percent of the Asset Value (as defined in the Shareholders Agreement), (ii) for the borrowing of any money or the giving of any security in excess of 15 percent of the Asset Value, and (iii) for the entering into of an amalgamation, merger or consolidation with any other body corporate by NT Power or any Subsidiary;

AND WHEREAS NT Power proposes to submit a binding offer in response to the RFP and to enter into a share purchase agreement (the “Share Purchase Agreement”) with the vendor pursuant to which NT Power will purchase all of the issued and outstanding shares of the Target, on and subject to the terms of the Share Purchase Agreement (the “Purchase and Sale Transaction”);

AND WHEREAS NT Power wishes to enter into certain financing arrangements, including the borrowing of money and the giving of security, in connection with the Purchase and Sale Transaction;

AND WHEREAS NT Power wishes to enter into an amalgamation with the Target following the

completion of the Purchase and Sale Transaction;

NOW THEREFORE BE IT RESOLVED by the Municipal Council of the Corporation of the Town of Newmarket ("the Municipal Council") as follows:

1. THAT the Municipal Council authorizes and approves the Purchase and Sale Transaction and the entering into of the Share Purchase Agreement by NT Power.
2. THAT the Municipal Council authorizes and approves the entering into of financing arrangements, including the borrowing of money and the giving of security, by NT Power in connection with the Purchase and Sale Transaction (the "Financing").
3. THAT the Municipal Council authorizes and approves the entering into of an amalgamation between NT Power and the Target following the completion of the Purchase and Sale Transaction (the "Amalgamation" and, together with the Financing and the Purchase and Sale Transaction, the "Transactions").
4. THAT the Chief Administrative Officer of the Corporation of the Town of Newmarket is authorized to approve the forms of all other documents contemplated or required to be executed by the Corporation of the Town of Newmarket to give effect to the foregoing resolutions or necessary in connection with the Transactions (collectively, the "Additional Documents") and to execute and deliver the Additional Documents each in the form so approved..

8.2 Report from the Director of Public Works regarding Contract 2017-04 Two Wheel Drive Pickup Trucks.

Council received Report No. PW-2017-17 from the Director of Public Works regarding Contract 2017-04 for the purchase of two, 2017 two wheel drive pickup trucks.

Moved By: Councillor Catherine Root

Seconded By: Councillor Sandy Talbot

That Staff Report No. PW-2017-17 regarding the purchase of two, 2017, two wheel drive pickup trucks, Contract 2017-04 be received;

And that the bid from Jim Wilson Chevrolet Buick GMC in the amount of \$48,510.96 before HST to supply two, 2017, two wheel drive half ton pickup trucks be accepted;

And that staff be directed to prepare the by-law authorizing the execution of the contract between the Township of Tay and Jim Wilson Chevrolet Buick GMC.

Carried.

8.3 Report from the President, Newmarket-Tay Power Distribution – Re: Approval of Bid for the Acquisition of Another Utility.

Council received a report from the President, Newmarket-Tay Power Distribution Ltd. regarding approval of bid for the acquisition of another utility.

Moved By: Councillor Sandy Talbot

Seconded By: Councillor Catherine Root

That the Newmarket – Tay Power Distribution Ltd. ("NT Power") Report of the President dated February 16, 2017 regarding the submission of a binding offer to acquire another electric distribution utility be received and the following recommendations be adopted:

WHEREAS NT Power received a request for proposals and confidential information memorandum for a sale transaction involving another electric distribution utility (the "Target") on December 9, 2016 (the "RFP");

AND WHEREAS confidential briefing memoranda from Paul Ferguson, President of NT Power regarding the RFP dated January 18, 2017 and February 10, 2017 (the "Confidential Briefing Memos") have been provided to the directors of NT Power, the municipal council of the Town of Newmarket and the municipal council of the Township of Tay;

Cont'd..

AND WHEREAS Article 3.05 of a Shareholders Agreement between Tay Hydro Inc. ("Tay Holdco"), Newmarket Hydro Holdings Inc. (and together with Tay Holdco the "Shareholders"), NT Power, The Corporation of the Township of Tay and The Corporation of the Town of Newmarket dated April 30, 2007 (the "Shareholders Agreement") requires approval by all of the Shareholders (i) for the purchase of any assets or business by NT Power or any Subsidiary (as defined in the Shareholders Agreement), other than the ordinary course of Business (as defined in the Shareholders Agreement), having a value in excess of 20 percent of the Asset Value (as defined in the Shareholders Agreement), (ii) for the borrowing of any money or the giving of any security in excess of 15 percent of the Asset Value, and (iii) for the entering into of an amalgamation, merger or consolidation with any other body corporate by NT Power or any Subsidiary;

AND WHEREAS NT Power proposes to submit a binding offer in response to the RFP and to enter into a share purchase agreement (the "Share Purchase Agreement") with the vendor pursuant to which NT Power will purchase all of the issued and outstanding shares of the Target, on and subject to the terms of the Share Purchase Agreement (the "Purchase and Sale Transaction");

AND WHEREAS NT Power wishes to enter into certain financing arrangements, including the borrowing of money and the giving of security, in connection with the Purchase and Sale Transaction;

AND WHEREAS NT Power wishes to enter into an amalgamation with the Target following the completion of the Purchase and Sale Transaction;

NOW THEREFORE BE IT RESOLVED by the Municipal Council of the Corporation of the Township of Tay ("the Municipal Council") as follows:

- 1. That the Municipal Council authorizes and approves the Purchase and Sale Transaction and the entering into of the Share Purchase Agreement by NT Power.**
- 2. That the Municipal Council authorizes and approves the entering into of financing arrangements, including the borrowing of money and the giving of security, by NT Power in connection with the Purchase and Sale Transaction (the "Financing").**

Cont'd...

3. That the Municipal Council authorizes and approves the entering into of an amalgamation between NT Power and the Target following the completion of the Purchase and Sale Transaction (the "Amalgamation" and, together with the Financing and the Purchase and Sale Transaction, the "Transactions").

4. That the Chief Administrative Officer of the Corporation of the Township of Tay is authorized to approve the forms of all other documents contemplated or required to be executed by the Corporation of the Township of Tay to give effect to the foregoing resolutions or necessary in connection with the Transactions (collectively, the "Additional Documents") and to execute and deliver the Additional Documents each in the form so approved.

Carried.

9. **BY-LAWS:**

2017-10 Agreement, Purchase of Pickup Trucks (Jim Wilson)
2017-11 Agreement, Road Needs Study (CC Tatham)
2017-12 Appointment, Clerk
2017-13 Business Licensing

Moved By: Councillor Jim Crawford

Seconded By: Deputy Mayor David Ritchie

That leave be granted to introduce By-laws 2017-10, 2017-11, 2017-12 and 2017-13.

Carried.

Moved By: Councillor Sandy Talbot

Seconded By: Councillor Catherine Root

That By-laws 2017-10, 2017-11, 2017-12 and 2017-13 be read a first, second and third time and finally passed.

Carried.

10. **NOTICES OF MOTION:**

Councillor Talbot gave notice that she will bring the following motion forward at the March 22, 2016 Council meeting:

That the organizers of the Waubaushene Community Hub be requested to come to a future Committee of All Council meeting to brief Council on the project and what expectations they may have of the Township for this project.

11. **CLOSED SESSION:**

No Closed Session was held.

NT Power Resolution:

MOTION #312

WHEREAS:

The Corporation received a request for proposals and confidential information memorandum for a sale transaction involving Midland Power Utility Corporation (“**MPUC**”) on December 9, 2016 (the “**Request for Proposals**” or the “**RFP**”);

The RFP and confidential briefing memoranda from Paul Ferguson, President of the Corporation regarding the RFP dated January 18, 2017 and February 10, 2017 (the “**Confidential Briefing Memos**”) were provided to the directors of the Corporation, the municipal council of the Town of Newmarket and the municipal council of the Township of Tay;

The Corporation proposes to submit a binding offer in response to the RFP and to enter into a share purchase agreement (the “**Share Purchase Agreement**”) with The Corporation of the Town of Midland pursuant to which the Corporation will purchase all of the issued and outstanding shares of MPUC for a price not to exceed 1.75 times the forecast 2017 MPUC rate base on and subject to the terms of the Share Purchase Agreement (the “**Purchase and Sale Transaction**”);

The Corporation wishes to enter into certain financing arrangements, including the borrowing of money and the giving of security, in connection with the Purchase and Sale Transaction;

The Corporation wishes to enter into an amalgamation with MPUC following the completion of the Purchase and Sale Transaction.

RESOLVED that:

1. The Purchase and Sale Transaction is authorized and approved.
2. The Share Purchase Agreement in the form of draft provided to the directors of the Corporation is authorized and approved.
3. The entering into of financing arrangements, including the borrowing of money and the giving of security, by the Corporation in connection with the Purchase and Sale Transaction is authorized and approved (the “**Financing**”).
4. The entering into of an amalgamation between the Corporation and MPUC following the completion of the Purchase and Sale Transaction is authorized and approved (the “**Amalgamation**” and, together with the Financing and the Purchase and Sale Transaction, the “**Transactions**”).

Each director and officer of the Corporation, acting alone, is authorized for and on behalf of the Corporation to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Share Purchase Agreement in the form approved herein with such changes therein, if any, as the director or officer executing the Share Purchase Agreement in such director's or officer's discretion may approve, the director's or officer's approval of any such changes to be conclusively evidenced by the director's or officer's execution and delivery of the Share Purchase Agreement and the Share Purchase Agreement so executed and delivered shall be deemed to be the Share Purchase Agreement approved by these resolutions.

Each director and officer of the Corporation, acting alone, is authorized for and on behalf of the Corporation to approve the forms of all other documents contemplated or required to be executed by the Corporation in connection with the Transactions (collectively, the "**Additional Documents**") and to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Additional Documents each in the form so approved, the director's or officer's approval to be conclusively evidenced by the director's or officer's execution and delivery of the Additional Documents and the Additional Documents so executed and delivered shall be deemed to be the Additional Documents approved by these resolutions.

Approval of Purchase and Sale Transaction

MOVED BY: Paul D. Ferguson
SECONDED BY: Phil Daniels

Carried

NTPDL-2017-312