

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** an application made by ERTH Corporation for leave to acquire 100% of the issued and outstanding shares of Tillsonburg Hydro Inc. from The Corporation of the Town of Tillsonburg, made pursuant to section 86(2)(a) of the *Ontario Energy Board Act, 1998*.

Filed: May 1, 2026

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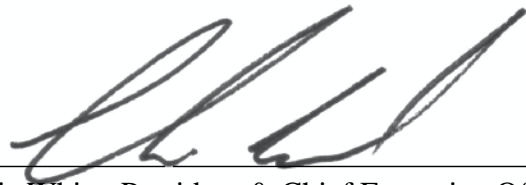
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**Certification of Evidence**

As President and Chief Executive Officer of ERTH Corporation and in my capacity as an officer of that corporation and without personal liability, I hereby certify to the best of my knowledge and as at the date of this certification that the evidence in the Application is accurate, consistent and complete.

Any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the Ontario Energy Board's *Practice Direction on Confidential Filings*.

A handwritten signature in black ink, appearing to read 'C. White', written over a horizontal line.

Chris White, President & Chief Executive Officer

## APPLICATION

### 1. Administrative

#### 1.1 *Brief description of the nature of the transaction and requested OEB approvals*

ERTH Corporation (“**ERTH**” or the “**Applicant**”) is filing this application (the “**Application**”) to seek the approval of the Ontario Energy Board (the “**OEB**” or the “**Board**”) for the first phase of a two-phase transaction whereby ERTH is purchasing all of the issued and outstanding shares in Tillsonburg Hydro Inc. (ED-2003-0026) (“**THI**”) from The Corporation of the Town of Tillsonburg (the “**Seller**”) pursuant to section 86(2)(a) of the *Ontario Energy Board Act 1998* (the “**OEB Act**”).

The Applicant is a parent holding company owned by nine municipalities, including The Corporation of the Town of Ingersoll, The Corporation of the Town of Goderich, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Central Elgin, The Corporation of the Municipality of West Perth, The Corporation of the Township of Norwich, The Corporation of the Township of East Zorra-Tavistock, The Corporation of the Township of Zorra, and The Corporation of the Township of South-West Oxford.

ERTH also owns ERTH Power Corporation, a licenced electricity distributor (ED-2002-0516) (“**EPC**”). THI and EPC are similar Southern Ontario utilities with comparable customer demographics operating in very similar service territories. Although EPC is not an applicant or party to the transaction, we have included EPC details throughout this Application for information purposes only.

This Application is limited to the approvals required to affect the purchase by ERTH of THI (“**Phase 1**”). The Applicant proposes that following the Phase 1 transaction, EPC and THI be permitted to continue to operate as independent utilities. Both parties commit to continue to operate its business as usual, while taking advantage of the mutual benefits during Phase 1 described herein.

As part of Phase 1, THI and EPC will remain distinct legal entities operating under separate licenses with common corporate and financial oversight from ERTH. Accordingly, following the completion of the Phase 1 transaction, there will be no negative impact with respect to price or underlying costs of THI or EPC. Since THI will continue to operate as a stand-alone entity under the same name for Phase 1, ERTH does not require a transfer of THI’s distribution license or rate order as part of this Phase 1 Application.

EPC and THI are at different stages in the ratemaking process. EPC is obligated to file its CoS application for rates effective May 1, 2028 (the "**EPC CoS Application**"), following the completion of a nine-year deferred rebasing period approved by the Board in EB-2018-0082. Accordingly, following the completion of Phase 1 transaction, EPC will file the EPC CoS Application for rates effective May 1, 2028.

The EPC CoS Application must proceed as scheduled for a number of reasons including, without limitation, (i) to ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. are passed along to ratepayers; (ii) ending the ICM rate rider and incorporating the new facility into base rates; and (iii) implement the Board's direction in EB-2024-0021 to provide evidence on affiliate usage of new facility in order to determine appropriate recovery of costs previously excluded from the ICM period.

The Applicant has no plans to seek to rebase THI immediately following Phase 1. THI last rebased for rates effective November 1, 2024 (EB-2023-0053) (the "**THI CoS Application**"), and there is not the same need to ensure THI rebases before the second phase of the transaction. THI is seeking a deferred rebasing period of nine years following the Phase 1 transaction.

The foregoing shall be referred to as the "**Proposed Rate Framework**".

On April 14, 2026, an affiliate of ERTH (ERTH (Westario) Acquisition Inc.) applied to the Board under Section 86 of the *Ontario Energy Board Act, 1998* to acquire Westario Power Inc. ("**Westario**" or "**WPI**") (EB-2026-0137) (the "**WPI Application**"). If the timing of the two applications permits, the Applicant has no objection if the Board were to combine this Application with the Westario Application as is permitted under Section 21(5) of the *Ontario Energy Board Act, 1998*.

The Applicant expects the second phase will occur following the completion of the EPC CoS Application and will be to file an application to amalgamate THI, Westario, and EPC, with the amalgamated entity continuing under the name of ERTH Power Corporation ("**Phase 2**"). Phase 2 is described in more detail below in section 3.5.

To encourage consolidations, the OEB has introduced policies that provide consolidating distributors with an opportunity to offset transaction costs with any achieved savings, by deferring rebasing by up to 10 years. The Applicant is seeking a deferred rebasing period of nine (9) years for THI following the Phase 1 transaction. The Applicant is not seeking a deferred rebasing period for EPC following the Phase 1 transaction (EPC is not party to this Application or to the transaction).

A subsequent deferred rebasing period may be proposed for EPC as part of Phase 2 for the combined utilities, however ERTH commits that the proposed deferred rebasing period in Phase 2 will be less than 10 years after the OEB approval of this Application.

The transition begins with the Phase 1 transaction, which is the subject matter of this Application. Following completion of the Phase 1 transaction, there will be no adverse impact with respect to price or underlying costs as a result of the transaction. As described below, modest synergies are possible following the Phase 1 transaction.

The two-phase transaction structure and Proposed Rate Framework is customized to always address the unique circumstances of EPC, THI and Westario, while conforming with the policy objectives and requirements established in the Board’s *Handbook to Electricity Distributor and Transmitter Consolidations* (the “**Handbook**”). The Proposed Rate Framework is an integral, and non-severable component of the proposed two-phase transaction and the Applicant’s overall Application and the WPI Application.

This Application is organized to generally follow the order of requirements for consolidation applications as set out in the Handbook. The mapping of evidence provided at Appendix A pinpoints the exact location of the evidence responsive to each of the Board’s requirements set out in the *Filing Requirements for Consolidation Applications* that are appended as Schedule 2 to the Handbook.

The Applicants are requesting a “short form” or written hearing.

The Application is a culmination of many months of negotiations and agreement among the Applicants, as defined below, and their shareholders. Appendix B of this Application provides a detailed description of each party’s business structure both before and after Phase 1 of the proposed transaction and identifies the applicable governing law for each legal entity.

### *1.2 Legal Name of the Applicants and Authorized Representatives*

The legal name of the applicants and the contact information for the authorized representatives are provided below. There are no other parties to the transaction described in this Application.

Applicant 1:

**ERTH Corporation**  
180 Whiting Street  
Ingersoll ON, N5C 3B5

Authorized Representative

**Chris White, President & CEO**  
Telephone: 519.518.6117 ext. 235  
[Email: chris.white@erthcorp.com](mailto:chris.white@erthcorp.com)

Applicant 2:	<b>Tillsonburg Hydro Inc.</b> RR #2, 24 Eastridge Road Walkerton ON, N8M 3E4
Authorized Representatives	<b>Kyle Pratt, CAO</b> Telephone: 519-688-3009 Ext. 4000 <a href="mailto:kpratt@tillsonburg.ca">Email: kpratt@tillsonburg.ca</a>
<i>Counsel to the Applicant</i>	
ERTH Legal Representative	<b>Borden Ladner Gervais LLP</b> Bay Adelaide Centre, East Tower 22 Adelaide Street West Toronto, ON, M5H 4E3  <b>John A.D. Vellone / Zoë Thoms</b> Telephone: 416.367.6730 / 416.367.6661 Facsimile: 416.367.6749 <a href="mailto:jvellone@blg.com">Email: jvellone@blg.com</a> / <a href="mailto:zthoms@blg.com">zthoms@blg.com</a>

## **2. Description of the Business of the Parties to the Transaction**

### *2.1 Business of each of the parties to the proposed transaction*

#### ***Tillsonburg Hydro Inc.***

THI is a licensed electricity distributor (ED-2002-0515) that owns and operates the electricity distribution system that serves approximately 8,600 mostly residential and commercial electricity customers in the Town of Tillsonburg, a rural urban community in southwestern Ontario. THI's office is located in the Town of Tillsonburg.

#### ***ERTH Corporation***

ERTH is a parent holding company owned by nine municipalities, including the Town of Ingersoll, Town of Goderich, Town of Aylmer, Municipality of Central Elgin, Municipality of West Perth, Township of Norwich, Township of Zorra, Township of East Zorra-Tavistock, and the Township of South-West Oxford,

ERTH is responsible for the oversight of EPC and its competitive affiliates listed below. ERTH provides a several shared corporate services to EPC and its competitive affiliates, including strategic management and policy support, legal services, building support services, information management services, information technology services, corporate administration, finance, tax,

treasury, pensions, risk management, audit services, corporate planning, human resources, and health and safety.

## *2.2 Business of each of the parties' affiliates*

### ***ERTH Power Corporation***

EPC is a licensed electricity distributor (ED-2002-0516) that owns and operates the electricity distribution system that provides service to approximately 25,000 mostly residential and commercial electricity customers in 15 rural urban communities in southwestern Ontario, including Aylmer, Belmont, Port Stanley, Ingersoll, Thamesford, Embro, Norwich, Otterville, Burgessville, Beachville, Tavistock, Goderich, Clinton, Mitchell, and Dublin. EPC has operations centres in Ingersoll, Goderich, and Aylmer.

### ***ERTH (Westario) Acquisition Inc.***

ERTH (Westario) Acquisition Inc. (“**EWAI**”) is a newly incorporated, wholly owned subsidiary of ERTH that will act as a special purpose vehicle for the purposes of acquiring and subsequently amalgamating with Westario.

### ***ERTH Limited***

ERTH Limited operates as a holding company and holds 100% interest in ERTH's competitive businesses listed below.

### ***ERTH (Holdings) Inc.***

ERTH (Holdings) Inc. (“**EHI**”) provides several competitive services to the utility and municipal sectors in Ontario and other jurisdictions. EHI provides EPC, other utilities, municipalities and the private sector with (i) billing and back-office services (i.e. customer information systems support, data mining, hosting, and licensing), (ii) document rendering, print and mail services, (iii) software licensing, maintenance and support (i.e. estimating software, asset management tool, and Green Button web portal), (iv) wholesale meter point maintenance and support, (v) accredited meter verification and testing services, (vi) line construction services, and (vii) substation maintenance services. EHI also provides shared corporate services to EPC including information management services, information technology services, communications, and public affairs.

### ***ERTH Business Technologies Inc.***

Pursuant to an agent only electricity retailer licence (ER-2023-0122), ERTH Business Technologies Inc. (“**EBT**”) provides data clearinghouse services for electronic business

transactions between electricity retailers and ERTH Power in the Ontario retail market, connecting ERTH Power and retailers to facilitate retail settlements. In connection with this service, EBT uses its status as an agent only electricity retailer to facilitate the requests and retrieval of historical usage information through its EBT system as requested by ERTH Power and in accordance with both the OEB's *Retail Settlement Code*.

***ERTH Community Power One L.P. and 2485505 Ontario Ltd.***

ERTH Community Power One LP and 2485505 Ontario Ltd. (collectively, the “**Generation LP**”) were incorporated as a Limited Partnership and General Partner, respectively. The Generation LP holds four renewable energy contracts and operates four solar photovoltaic units in various shareholder municipalities.

*2.3 Geographic territory served by each of the parties to the proposed transaction, including their affiliates if applicable*

***THI Service Area:***

Communities served:	1 (Tillsonburg)
Counties served:	1 (Oxford)
Distribution type:	Electricity distribution
Total service area:	24 <a href="#">sq. km</a>
Total Circuit of Line:	132 km
Residential Customers Served:	approx. 7,688
Municipal population:	approx. 21,000

***EPC Service Area:***

Communities served:	15 (Aylmer, Belmont, Port Stanley, Ingersoll, Thamesford, Embro, Norwich, Otterville, Burgessville, Beachville, Tavistock, Goderich, Clinton, Mitchell, and Dublin)
Counties served:	4 (Oxford, Elgin, Perth, Huron)
Distribution type:	Electricity distribution
Total service area:	65 <a href="#">sq. km</a>
Total Circuit of Line:	451 km
Residential Customers Served:	approx. 22,338
Municipal population:	approx. 59,000

***Service Area Boundaries***

THI and the Applicant's affiliate, EPC, are both bounded by Hydro One Networks Inc. on all service territory boundaries, with the exception of the community of Belmont where London Hydro Inc. is connected at the western boundary of the community.

Hydro One Networks Inc.  
483 Bay St.  
Toronto, ON M5G 1P5  
Direct Line: 416.345.5000  
Website: [www.HydroOne.com](http://www.HydroOne.com)

The service area boundaries of THI and EPC are shown in Figure 1 below. Both utilities are in the Independent Electricity System Operator's ("IESO") London Area regional planning area. EPC is also in the IESO's Greater Bruce/Huron regional planning area.

**Figure 1: Service Area Boundaries**

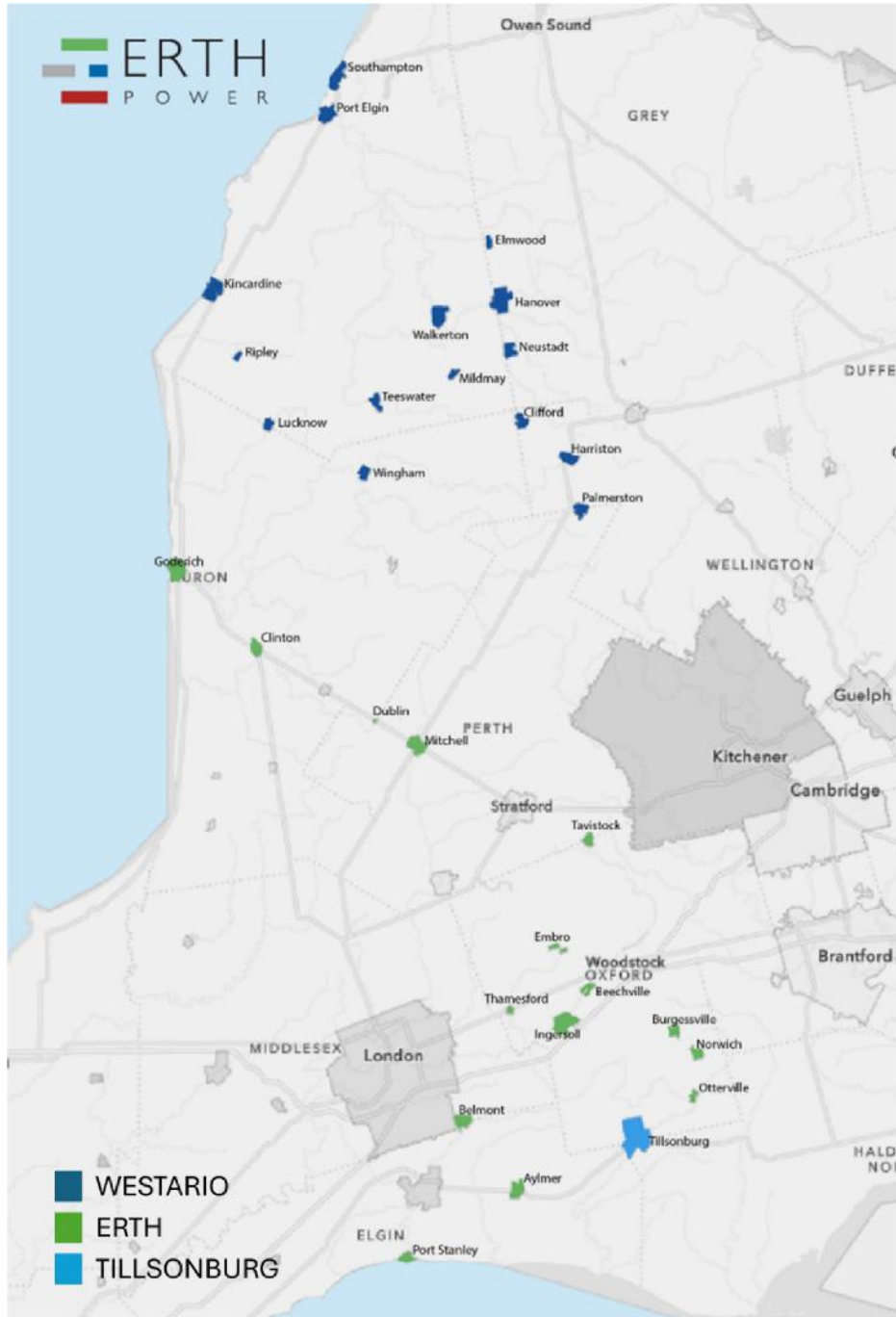
THI Service Area – Phase 1



EPC Service Area – Phase 1



Combined Service Area – Phase 2 (with Westario)



The service area boundaries of THI and EPC are not contiguous and are approximately 11.5 km apart. The two utilities operate in close proximity to each other in very similar geographic territories within Southwestern Ontario. Many of the service area characteristics are comparable, as both utilities serve largely developed communities with predominantly residential customers.

For example, Table 1 below provides a summary of the service territory characteristics between THI and EPC showing the number of square kilometres for rural and urban service areas as well as kilometres of line that are overhead and underground.

**Table 1: 2024 Service Territory Characteristics**

Characteristics	EPC		THI		WPI	
	sq km	%	sq km	%	sq km	%
Rural Service Area	-	0%	-	0%	-	0%
Urban Service Area	65	100%	24	100%	64	100%
<b>Total Service Area</b>	<b>65</b>	<b>100%</b>	<b>24</b>	<b>100%</b>	<b>64</b>	<b>100%</b>
No. Of Customers/sq km						
	km of line	%	km of line	%	km of line	%
Overhead Circuit km of Line	282	63%	67	46%	423	70%
Underground Circuit km of Line	169	37%	79	54%	182	30%
<b>Total Circuit KM of Line</b>	<b>451</b>	<b>100%</b>	<b>146</b>	<b>100%</b>	<b>605</b>	<b>100%</b>
No. of Cusomters/km of line	55		59		41	

*2.4 Description of customers, including number of customers in each class, served by each of the parties to the proposed transaction*

THI and EPC are comparable both in the ratio of types of customer classes served by each utility and the service territories in which each operate with similar characteristics and terrain.

**Table 2: 2024 Customers / Connections**

Customer Class	Number of Customers/Connections			
	EPC	THI	WPI	Total
Residential	22,338	7,753	21,898	51,989
GS<50	2,427	714	2,764	5,905
GS>50	189	86	167	442
Large Use	4	-	-	4
Unmetered Scattered Load	90	56	48	194
Sentinel Lightng	365	112	10	487
Street Lightning	5,185	3,089	6,297	14,571
Embedded Distributer	4	-		4
<b>Total</b>	<b>30,602</b>	<b>11,810</b>	<b>31,184</b>	<b>73,596</b>

Table 2 above provides the number of customers/connections by rate class for 2025. Excluding the classes that are based on connections, both LDCs have a customer base that is primarily driven by the Residential class (89-90%), followed by smaller commercial businesses that make up the general service < 50 kW class (9-11%). Approximately 1% of the customer base is made up of larger customers in the general service >= 50 kW class for both LDCs.

Both utilities have experienced growth over the last several years, mainly driven by the Residential customer class as shown in Table 3 below which compares 2024 customer counts against 2020 for both THI and EPC. While THI has seen more growth in the Residential class, it has not seen any growth among GS>50 and Large Use customers.

**Table 3: 2024 vs. 2020 Customers**

Customer Class Growth	EPC				THI			
	2024	2020	Number	Percentage	2024	2020	Number	Percentage
Residential	22,338	21,018	1,320	6%	7,753	6,952	801	12%
GS<50	2,427	2,353	74	3%	714	681	33	5%
GS>50	189	173	16	9%	86	86	-	0%
Large Use	4	3	1	33%	-	-	-	0%
<b>Total</b>	<b>24,958</b>	<b>23,547</b>	<b>1,411</b>	<b>6%</b>	<b>8,553</b>	<b>7,719</b>	<b>834</b>	<b>11%</b>

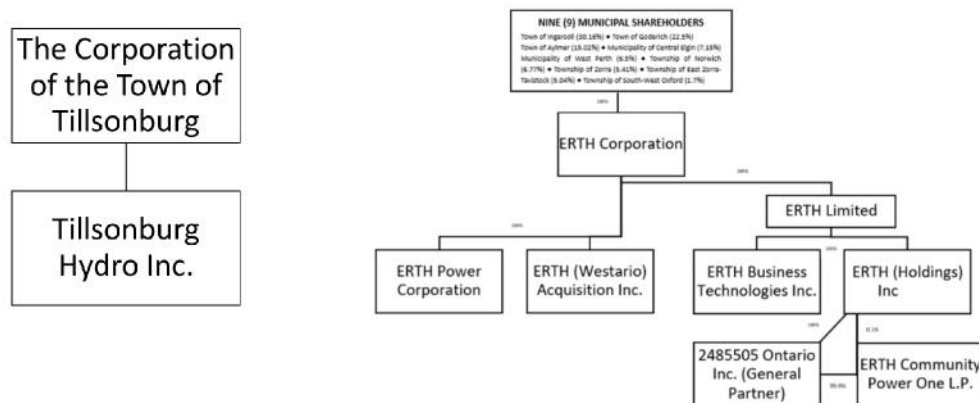
*2.5 Proposed geographic service area after completion of the proposed transaction*

There will be no change to the respective geographic service areas after the completion of the Phase 1 transaction.

Upon completion of the Phase 2 transaction (as further detailed below and which will be subject to a future separate MAADs application), the service areas of THI, Westario, and EPC will be combined to be served by a single merged utility, as reflected in the combined service territory maps in Figure 1 above.

*2.6 Corporate Structure Charts*

Below are the current corporate structure charts describing the relationship between each of the parties to the proposed Phase 1 transaction and each of their respective affiliates.



## 2.7 Current net metering thresholds of THI and EPC

Following the completion of the Phase 1 transaction, both THI and EPC will retain their current, distinct, net metering thresholds. It is proposed that two net metering thresholds be maintained separately because the two distributors and the two service territories are, and will continue to be, non-contiguous, separate and distinct until the completion of the Phase 2 transaction.

Based on the 2025 OEB RRR Data, the following table shows the calculated net metering thresholds for both THI and EPC, calculated as 1% of the maximum peak demand (kW) averaged over a 3-year period between 2023-2025.

**Table 4: Net Metering Thresholds**

Net Metering kW Threshold	
1% of Average Peak (2022-2024)	
ERTH Power	1050.14
Tillsonburg Hydro Inc.	380.50

## 3. Description of the Proposed Transaction

### 3.1 The Phase 1 Transaction

This application to the OEB is limited to the approvals required to affect Phase 1 (the “**Phase 1 Transaction**”).

Pursuant to a purchase and sale agreement dated April 27, 2026, between ERTH and the Seller (the “**Purchase and Sale Agreement**”) attached hereto as Appendix C, subject to the parties obtaining the required approvals, the Seller has agreed to sell and ERTH has agreed to purchase all of the issued and outstanding shares in the capital of THI owned or held by the Seller (the “**Purchased Shares**”). The aggregate purchase price for ERTH to acquire the Purchased Shares from the Seller is set out in section 2.2 of the Purchase and Sale Agreement, subject to applicable closing and post-closing adjustments (the “**Purchase Price**”). The Purchase Price will not be paid in cash. Rather, in consideration for the Purchase Price, the Seller will receive one equal voting share and non-voting common shares in the Applicant (representing a relative economic ownership position in the Applicant of 18.78% following the THI and WPI Phase 1 transactions).

The parties have agreed to a number of post-closing covenants as set out in the Purchase and Sale Agreement, including:

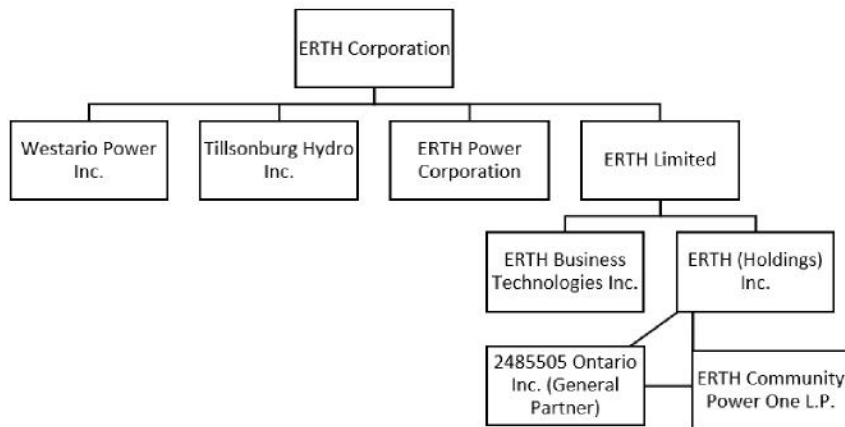
- a) all employees remain employed for three years,
- b) commitment to maintain a local customer service and emergency response presence,

- c) local governance,
- d) service quality and capital investment guarantees,
- e) rate guarantees,
- f) community contribution commitments.<sup>1</sup>

The closing of the acquisition of the Purchased Shares is conditional upon the receipt of all required approvals, including the OEB’s approval of this Application.

Once ERTH has acquired all of the Purchased Shares, ERTH will assume, *inter alia*, 100% ownership and control of THI. The following Figure 2 illustrates the corporate ownership structure following ERTH’s acquisition of the Purchased Shares.

**Figure 2: Phase 1 - Corporate Ownership Structure**



### 3.2 *Final legal document to be used to implement the proposed transaction*

The final legal document to be used to implement the transaction is the Purchase and Sale Agreement, attached hereto as Appendix C.

### 3.3 *Municipal and/or Corporate Resolutions*

Copies of appropriate resolutions by parties approving the proposed transaction are attached in Appendix D.

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<sup>1</sup> Appendix D – Purchase and Sale Agreement, Section 9 (e), i-ix, p. 32-34.

### 3.4 *Future Rebasings and Regulatory Strategy*

While the Applicant recognizes that the OEB has previously determined that it is consistent with the OEB’s policies for one utility to acquire another utility and operate it on a stand-alone basis as it proposed in Phase 1,<sup>2</sup> the Applicant believes that a discussion of its overall regulatory rebasing strategy is informative to demonstrate that there will not be a deterioration of price, economic efficiency or cost effectiveness as a result of the transaction being broken into multiple phases.

For clarity, THI and EPC are in different regulatory circumstances. As a result of the Phase 1 transaction, THI would be permitted to defer rebasing consistent with the Handbook. By contrast, EPC is not a party to this Application and is not deferring rebasing at all. The EPC CoS Application must proceed as scheduled to, *inter alia*: (i) ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. in EB-2018-0082 are passed along to ratepayers after a nine-year deferred rebasing period approved by the Board, (ii) end the ICM rate rider and incorporating the new facility into base rates; and (iii) implement the Board’s direction in EB-2024-0021 to provide evidence on affiliate usage of new facility in order to determine appropriate recovery of costs previously excluded from the ICM period.

In this context, the Applicant submits that its requested deferral of THI’s rebasing for nine years following this Application, while EPC proceeds with its scheduled rebasing, appropriately reflects the distinct regulatory positions of the two utilities and is consistent with the public interest. The Applicant proposes that following Phase 1 (which includes the independent rebasing of EPC), THI and EPC be permitted to continue to operate as independent utilities until the Phase 2 MAADs application is filed.

It is the Applicant’s intent at this point that a Phase 2 MAADs application would be filed in 2029, following the conclusion of EPC’s CoS Application. The Applicant submits that it is reasonable for the EPC CoS Application to be heard independently prior to Phase 2.

### 3.5 *The Phase 2 Transaction*

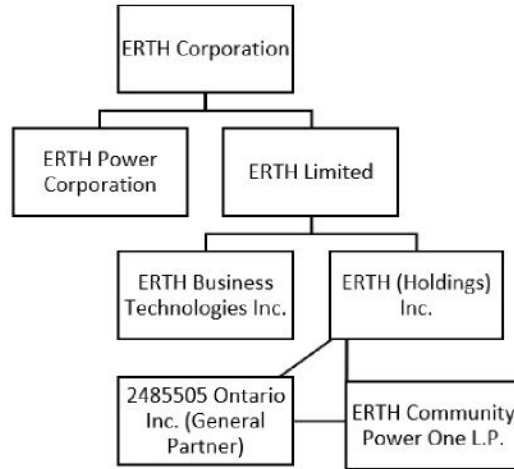
Upon completion of the EPC CoS Application, EPC, WPI and THI will bring a second application to the Board to approve the second phase (“**Phase 2**”) of the transaction to allow for the amalgamation of EPC, THI, and Westario under section 86(1)(c) of the OEB Act.

The following Figure 3 illustrates the currently anticipated corporate ownership structure upon the completion of the Phase 2 Transaction:

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<sup>2</sup> Decision and Order EB-2019-0015, North Bay (Espanola) Acquisition Inc., 22 August 2019, at page 25.. Decision and Order EB-2025-0172, Windsor Canada Utilities Ltd. and E.L.K. Energy Inc., October 21, 2025, at page 16.

**Figure 3: Phase 2 - Corporate Ownership Structure**



The ultimate amalgamated entity will operate under the name ERTH Power Corporation (“**New EPC**”). An exhaustive list of the benefits associated with this future amalgamation will be addressed more completely in the Phase 2 application to be submitted to the Board in 2028. Some preliminary projected synergies following the amalgamation of THI, Westario, and EPC in the Phase 2 transaction are, however, reflected in the tables in Section 4 of this Application below.

The transition begins with the Phase 1 Transaction, which is the subject matter of this Application. Phase 1 is expected to produce moderate synergies. These modest cost savings are possible related to the elimination of certain management roles and a reduction in various redundant expenses (e.g. board remuneration, industry associations, etc.), which will be largely offset by cost of the shared corporate services provided by ERTH. ERTH intends to expand its corporate resources and reallocate corporate resources from its competitive businesses to provide oversight and management of THI.

#### **4. The No Harm Test**

The Handbook states that “the ‘no harm’ test assesses whether the proposed transaction is expected to have an adverse effect on the matters prescribed in the OEB’s statutory objectives.”<sup>3</sup> In applying this test, the OEB assesses and weighs both the quantitative (i.e., cost) and qualitative information (i.e., customer services) that has been provided in an application, to determine whether the proposed transaction, has a positive or a neutral effect on the matters prescribed in the objectives of the OEB (on a net basis).

The Handbook also notes that in applying the “no harm” test, the OEB generally focuses its review “on impacts of the proposed transaction on price and quality of service to customers, and the cost

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<sup>3</sup> Handbook, p.8.

effectiveness, economic efficiency and financial viability of the electricity distribution sector.”<sup>4</sup>

As is demonstrated in this Application, the proposed transaction passes the “no harm” test as the evidence demonstrates that the transaction is expected to have a positive or neutral effect on the attainment of the OEB’s first two statutory objectives (as further detailed below). The Handbook notes that the OEB does not consider consolidations to fail the “no harm” test (i.e., have adverse impacts) with respect to the OEB’s third statutory objective (promoting electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario) or the OEB’s fourth statutory objective (facilitating innovation in the electricity sector). The OEB’s statutory objectives were recently amended to include a fifth obligation to “regulate the electricity sector in a manner that supports economic growth, consistent with the policies of the Government of Ontario.”<sup>5</sup> In a recent section 86 decision applying the “no harm” test following the introduction of this new statutory objective, the OEB confirmed that its focus remains primarily on the first two objectives.<sup>6</sup>

There are no anticipated adverse impacts, and the Application is intended to continue THI on a path toward operational and financial viability, which will have a direct benefit to existing THI customers. As such, the Applicant submits that the proposed transaction meets the OEB’s “no harm” test.

*4.1 Objective 1 – Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service*

*(i) Impact with respect to prices*

Following completion of the Phase 1 transaction, there will be no adverse impact with respect to price or the underlying costs of THI as a result of the Phase 1 transaction. THI will benefit from the rate stability covenant in the share purchase agreement at section 9(e)(vii) which provides a commitment to limit THI rate increases solely to formulaic incentive rate mechanism inflationary increases for minimum period of eight (8) years following the closing of the Phase 1 transaction, subject to one exception.<sup>7</sup>

The Applicant proposes that following the Phase 1 Transaction, EPC, WPI and THI be permitted to continue to operate as independent utilities with common corporate and financial oversight from ERTH. This represents an extension of the current contractual relationship between the parties

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<sup>4</sup> *Ibid* at 9.

<sup>5</sup> *Ontario Energy Board Act, 1998*, S.O. 1998, Chapter 15 Schedule B, s. 1(2.1).

<sup>6</sup> EB-2025-0328, Decision and Order, Bamkushwada Limited Partnership, January 29, 2026, p. 7-8.

<sup>7</sup> If a new transmission station is required to meet capacity needs in the THI service territory before 2033, the associated costs would be funded by the applicable EPC ratepayers (assuming the Phase 2 amalgamation is approved), which would result in increases to the THI’s rate zone that are greater than formulaic incentive rate mechanism inflationary increases.

pursuant to which ERTH and its affiliates provide several management and operational services to THI. ERTH and its affiliates have been assisting THI for over 15 years by providing a variety of services and support (including billing, hosting, engineering, utility construction, metering, etc.) Since the termination of THI's last President & GM, ERTH has also been providing management services to THI under a master services agreement pursuant to which ERTH is assisting the THI board of directors with the general management, operation, and oversight of THI. The proposed Phase 1 and Phase 2 transactions are therefore a natural progression of the parties' close relationship, and THI's customers will benefit from the new care and control relationship with ERTH and the additional resources able to service THI's distribution system. Both parties will otherwise continue to operate its business as usual, while taking advantage of the mutual benefits and common oversight during Phase 1 described herein. If this Application is approved, all utilities owned by ERTH, including EPC and THI receive shared common corporate and financial oversight from ERTH pursuant to *Affiliate Relationships Code* compliant services agreements.

As outlined below, ERTH indicates modest synergies for THI are possible.

As part of the Phase 1 transaction, the Applicant intends to eliminate various management roles and related costs, reflecting the transition to common management and shared corporate services provided by ERTH. To support the delivery of these services, ERTH intends to establish a new Vice-President position responsible for providing additional corporate services to THI. Although the Phase 1 transaction will result in moderate transaction and transition costs, as well as management fees payable to ERTH, the Applicant submits that these additional THI costs will be offset by the modest cost savings for THI described above. Further synergies and operational efficiencies for THI will be realized in the underlying OM&A costs once the Phase 2 transaction is completed.

Against this backdrop, ERTH has however determined that there are some expected synergy savings for THI as a result of the transaction compared to what could reasonably be expected absent the transaction, which are further detailed below in the sections that outline comparative forecast revenue requirement and comparison of operations, maintenance and administrative costs.

Although EPC and Westario are not applicants or parties to the transaction, we have included EPC and Westario details below for information purposes only.

### ***Comparative Forecast Revenue Requirement***

As noted in the following tables, the Applicant does expect some modest OM&A savings for THI over the short-term compared to a status quo scenario absent the transaction, which would be a reduction to what the collective revenue requirement of the LDCs otherwise would have been.

**Table 5: Forecasted Revenue Requirements – Status Quo vs. Post Transaction**

Revenue Requirement - No Transaction (dollars in thousands)	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM
THI	\$ 5,963	\$ 6,256	\$ 6,339	\$ 7,607	\$ 8,043	\$ 8,150	\$ 8,258	\$ 8,368	\$ 8,479	\$ 8,592
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	\$ 17,766	\$ 18,388	\$ 23,132	\$ 24,140	\$ 24,460	\$ 24,784	\$ 25,113	\$ 25,446	\$ 25,785	\$ 26,129
ICM	\$ 2,317	\$ 2,317								
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM
WPI				\$ 18,583	\$ 19,650	\$ 19,910	\$ 20,174	\$ 20,442	\$ 20,714	\$ 20,991
<b>No Transaction Total</b>	<b>\$ 26,046</b>	<b>\$ 26,961</b>	<b>\$ 29,471</b>	<b>\$ 50,330</b>	<b>\$ 52,153</b>	<b>\$ 52,843</b>	<b>\$ 53,545</b>	<b>\$ 54,256</b>	<b>\$ 54,979</b>	<b>\$ 55,712</b>

Revenue Requirement - Phase 1 and Phase 2 Transactions (dollars in thousands)	Yr Phase 1 MAADs Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 Phase 2 MAADs Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
THI	\$ 5,963	\$ 6,256	\$ 6,339	\$ 6,389	\$ 6,474	\$ 6,560	\$ 6,647	\$ 6,736	\$ 6,826	\$ 6,917
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	COS	IRM	IRM	IRM	IRM	IRM	IRM	IRM
EPC	\$ 17,766	\$ 18,388	\$ 23,132	\$ 24,140	\$ 24,460	\$ 24,784	\$ 25,113	\$ 25,446	\$ 25,785	\$ 26,129
ICM	\$ 2,317	\$ 2,317								
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM	IRM
WPI				\$ 15,608	\$ 15,815	\$ 16,025	\$ 16,238	\$ 16,455	\$ 16,675	\$ 16,898
Synergies THI	\$ 91	\$ 78	\$ 80	-\$ 431	-\$ 431	-\$ 429	-\$ 429	-\$ 428	-\$ 427	-\$ 426
Synergies WPI				-\$ 48	-\$ 55	-\$ 338	-\$ 345	-\$ 354	-\$ 362	-\$ 371
<b>Transaction Total</b>	<b>\$ 26,137</b>	<b>\$ 27,039</b>	<b>\$ 29,551</b>	<b>\$ 45,658</b>	<b>\$ 46,262</b>	<b>\$ 46,601</b>	<b>\$ 47,224</b>	<b>\$ 47,855</b>	<b>\$ 48,496</b>	<b>\$ 49,147</b>

The above tables make the assumptions set out below regarding inflation, growth and productivity adjustments.

**Table 6: Assumptions Regarding Inflation, Growth, and Productivity**

	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028	Yr 3 2029	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
Customer Growth % THI	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Customer Growth % EPC	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Inflation%	3.70%	3.70%	3.70%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Stretch Factor % THI	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Stretch Factor % EPC	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Stretch Factor % Combined	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%

Given the moderate growth rate and demographics in the applicable service communities, and the current distribution system planning for the utilities, the tables above attribute minimal impact to evolving energy sector and associated impacts on cost structures.

Except for the circumstances contemplated in footnote 7 above, the Applicant confirms that there are no known or reasonably anticipated future Incremental Capital Modules (“ICM”) for either utility within the forecasted period in the above tables.

Please note that the tables above are being provided on a preliminary forecast basis and may be subject to change. The Applicant cannot forecast with certainty the outcomes from the upcoming rebasing application before the OEB or what efficiencies will be forecasted in the Phase 2 application.

At the time of post consolidation first rebasing following Phase 2 in 2035, the consolidated entity will produce an updated analysis comparing the revenue requirement (under both the consolidated scenario and the status quo) based on information available on a reasonable efforts basis. This will be supplemented with a comparison and discussion of the consolidation application forecasts versus those filed in the post-consolidation rebasing application.

***Comparison of the operations, maintenance and administrative (OM&A) cost per customer***

While an exhaustive list of the benefits associated with this future amalgamation will be addressed more completely in the Phase 2 application to be submitted to the Board in 2028, a preliminary overview of the benefits of the future amalgamation of THI, Westario and EPC includes the following OM&A synergies table, which shows the proposed two-phase transaction and forecasted synergies.

**Table 7: Forecasted OM&A**

OM&A Costs (dollars in thousands)	Phase 1				Phase 2	Post Consolidation Period				
	Yr 0 - 2026	Yr 1 - 2027	Yr 2 - 2028 EPC Test Year	Yr 3 2029 MAADs Application	Yr 4 - 2030	Yr 5 - 2031	Yr 6 - 2032	Yr 7 - 2033	Yr 8 - 2034	Yr 9 - 2035
EPC	\$ 11,103	\$ 11,252	\$ 11,388	\$ 11,728	\$ 12,052	\$ 12,413	\$ 12,786	\$ 13,169	\$ 13,564	\$ 13,971
THI	\$ 3,557	\$ 3,628	\$ 3,700	\$ 3,774	\$ 3,738	\$ 3,850	\$ 3,965	\$ 4,084	\$ 4,207	\$ 4,333
WPI				\$ 9,026	\$ 9,251	\$ 9,483	\$ 9,720	\$ 9,963	\$ 10,212	\$ 10,467
EPC + THI + WPI	\$ 14,659	\$ 14,880	\$ 15,088	\$ 24,528	\$ 25,041	\$ 25,746	\$ 26,471	\$ 27,216	\$ 27,983	\$ 28,771
Synergies THI	\$ 91	\$ 78	\$ 80	-\$ 431	-\$ 431	-\$ 429	-\$ 429	-\$ 428	-\$ 427	-\$ 426
Synergies WPI				-\$ 48	-\$ 55	-\$ 338	-\$ 345	-\$ 354	-\$ 362	-\$ 371
Forecasted OM&A	\$ 14,750	\$ 14,958	\$ 15,168	\$ 24,049	\$ 24,555	\$ 24,979	\$ 25,697	\$ 26,434	\$ 27,194	\$ 27,974
OM&A / Customer										
EPC	\$ 444.85	\$ 450.82	\$ 456.27	\$ 469.90	\$ 420.89	\$ 428.16	\$ 440.47	\$ 453.11	\$ 466.13	\$ 479.51
THI	\$ 415.85	\$ 424.16	\$ 432.65	\$ 441.30						

For the purposes of determining the OM&A/Customer metric, this table assumes an annual residential customer growth of 1.5% and no commercial customer growth from 2026-2035 for both utilities.

Please note that the tables above are being provided on a preliminary forecast basis and may be subject to change. ERTH cannot forecast with certainty the outcomes from the upcoming rebasing applications before the OEB or what efficiencies will be forecasted in the Phase 2 application. In addition, the comments and tables in this section assumes that there is no need to replace any of the key systems identified in the THI CoS Application during the applicable rate period (i.e. 2024-2028).

For purposes of this Application, it is critical to note that THI’s existing cost structures have recently been approved by the OEB as necessary to maintain ongoing financial and operational viability. It can reasonably be assumed that maintaining THI’s existing expenditure levels is sustainable from an operational and financial perspective over the rebasing period proposed in this Application.

(ii) *Impact with respect to the adequacy, reliability and quality of electricity service*

An objective of ERTH is that of a company that ensures its LDC holdings provide effective and efficient service with a focus on the communities that rely on them. The Applicant is accordingly committed to maintaining the adequacy of electricity service for the customers of THI.

The Applicant intends to maintain a local physical presence very similar to what THI's customers experience today. Following closing of the Phase 1 transaction, the Applicant has committed to maintaining THI's existing customer service centre in the Town of Tillsonburg<sup>8</sup> and assuming THI's existing lease commitment for its operation centre located at 43 John Pound Road, Tillsonburg.<sup>9</sup> In addition, following the Phase 1 transaction, THI employees who are on call and live in or within close proximity to the Town of Tillsonburg will be permitted to take THI-owned work vehicles home allowing such employees to respond promptly to outages and other emergency situations without the need to return to an operations centre.<sup>10</sup>

Service levels and quality standards will continue through both the Phase 1 transaction and the Phase 2 transaction, and the Applicant has committed that response times in THI's service territory will not decline.<sup>11</sup> Throughout both phases of this transaction, it is the intention of the Applicant to maintain the service levels of THI through the merging of technologies, system control, adoption of best work practices, etc. The Phase 1 transaction will result in the sharing of engineering and operational expertise from EPC to THI, which will lead to higher quality operations and maintenance plans that will benefit customers of both THI and EPC.

Increased reliability of THI's distribution system is also anticipated because of access to EPC's expertise in SCADA (Supervisory Control & Data Acquisition) systems, improving response times and trouble shooting efforts. In addition, storm response resources will improve as THI will have access to a larger pool of power line maintainers, inventory and equipment. Finally, the THI electrical system will be displayed, managed, and operated from the EPC Control Room, an element of operation that is currently lacking at THI. This change will aid in the optimization of power distribution, coordination of field work, and work protection, improving the overall operation and safety of the grid in normal and outage event situations.

THI will have access to fully resourced operations, engineering and customer service departments at EPC and the corporate services of ERTH, providing a larger internal pool of resources to handle and improve all aspects of system adequacy, reliability and quality of electrical service. The larger resource pool will also aid in the ability for THI to meet the requirements of an ever-changing

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<sup>8</sup> Appendix D – Purchase and Sale Agreement, Section 9 (e), iii, p. 33.

<sup>9</sup> *Ibid*, i, p. 32.

<sup>10</sup> *Ibid*.

<sup>11</sup> *Ibid*, v, p. 33.

industry and unlock the potential of technological advances and innovative projects to further promote stronger adequacy, reliability, and quality of electrical service.

Accordingly, the proposed transaction is forecasted to positively impact the customers of THI with respect to adequacy, reliability, and quality of electricity service due to the efficiencies expected to be generated from the transaction.

Historically, THI and EPC have maintained strong reliability measures in both System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) metrics. SAIFI and SAIDI results for the year ending 2024 indicate that both LDCs have provided their customers with excellent reliability and both utilities have expertise in the elements and conditions which affect reliability in Southwestern Ontario. The five-year historical reliability metrics for THI, WPI, and EPC are provided in the table below.

**Table 8: 2021-2024 Historic Service Quality Indicators of THI and EPC (adjusted for Loss of Supply and Major Event Days)**

**Reliability Indicators (Excluding MED's & Loss of Supply Events)**

<b>Sum of SAIDI_from_Non-Major_Events</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>5 Yr. Average</b>
ERTH Power Corporation	0.781	2.168	0.93	1.311	1.506	1.3392
Westario Power Inc.	1.916	1.785	1.555	1.821	1.194	1.6542
Tillsonburg Hydro Inc	1.69	0.53	0.95	0.21	0.32	0.74
<b>Sum of SAIFI_from_Non-Major_Events</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>5 Yr. Average</b>
ERTH Power Corporation	0.293	0.874	0.468	0.378	0.757	0.554
Westario Power Inc.	0.503	0.73	0.669	0.56	0.573	0.607
Tillsonburg Hydro Inc	1.02	0.37	0.99	0.26	0.46	0.62

**Reliability Indicators (All Outages)**

<b>Sum of Total SAIDI</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>5 Yr. Average</b>
ERTH Power Corporation	2.083	4.942	2.016	3.626	4.782	3.4898
Westario Power Inc.	12.466	11.198	2.784	2.656	2.445	6.3098
Tillsonburg Hydro Inc.	3.52	14.66	0.95	4.89	0.49	4.902
<b>Sum of Total SAIFI</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>5 Yr. Average</b>
ERTH Power Corporation	0.678	1.644	0.998	0.949	2.303	1.3144
Westario Power Inc.	2.039	2.28	1.337	1.207	0.915	1.5556
Tillsonburg Hydro Inc.	2.91	3.72	0.99	2.99	1.19	2.36

There will be a large benefit to THI customers through all future phases of the transaction in the form of technology enhancements in the THI service territory that would otherwise not be economical or practical to implement. In the proposed transaction incorporates the benefits to be realized through voluntary consolidation; it will deliver cost synergies and economy of scale benefits and will promote the Board’s objectives. These benefits include:

- Extension of the EPC Supervisory Control and Data Acquisition (SCADA) system to THI;
- Extension of the EPC Geographic Information System (GIS) to include the THI service area;
- Extension of the EPC customer website outage map to include the THI service area;
- Extension of the EPTH social media platforms (Twitter, Facebook, LinkedIn) to include THI to aid in the promotion of distributor activities, engagement of customers, and communication of outage information; and
- Implementation of a stable, secure information technology backbone, aligned with current cyber security regulatory requirements, with full remote support from EPTH. THI electrical system will eventually be displayed, managed, and operated from the EPC Control Room, an element of operation that is currently lacking at THI. This change will aid in the optimization of power distribution, the issuance of work, and work protection and improve the overall operation and safety of the grid in normal and outage event situations.
- THI will have access to expended EPTH corporate services, including internal legal counsel, enterprise risk management (ERM), and environmental, social and governance (ESG) functions.
- THI will have access to EPTH’s customer service practices which recently resulted in an increase in its OEB regulated Customer Satisfaction Survey results from 76% in 2023 to 94% in 2025.
- The combined ownership of THI and EPC (and Westario, if approved) by EPTH will allow the LDCs to access to capital at lower interest rates versus stand-alone utilities, as evidenced in section 4.2(ix) below.

The Handbook notes that in determining whether the “no harm” test has been met with respect to the adequacy, quality and reliability of electrical service, the OEB will be informed by the metrics filed by a distributor as well as its annual scorecard. The 2024 scorecards of both EPC and THI are provided in Appendix E. Both scorecards demonstrate strong performance and trending in the areas of customer service and reliability and demonstrate a further alignment of objectives aimed at maintaining or improving service levels.

The following table highlights the Customer Focus statistics:

**Table 9: 2020-2024 Customer Focus Statistics**

Year	New Residential/Small Commercial Services connected On-Time (Target:90%)		Scheduled Appointments met On-Time (Target: 90%)		Telephone Calls Answered On-Time (Target :65%)		First Contact Resolution		Billing Accuracy (Target:90%)		Customer Satisfaction Survey Results	
	EPC	THI	EPC	THI	EPC	THI	EPC	THI	EPC	THI	EPC	THI
2020	98.59%	100.00%	100.00%	99.36%	95.92%	NA	99.58%	97.20%	99.75%	99.80%	77.00%	Satisfied
2021	95.84%	99.51%	99.06%	98.21%	95.02%	NA	99.26%	97.70%	99.85%	97.60%	77.00%	Satisfied
2022	97.05%	95.34%	100.00%	99.33%	92.54%	98.68%	99.43%	94.70%	99.62%	99.70%	76.00%	Satisfied
2023	95.76%	100.00%	99.18%	98.60%	93.49%	99.29%	99.66%	96.90%	99.69%	99.85%	76.00%	Satisfied
2024	95.11%	99.62%	99.53%	99.79%	86.49%	99.11%	99.91%	98.90%	97.01%	99.85%	76.00%	Satisfied

There will be a large benefit to THI and EPC customers through all future phases of the transaction in the form of technology enhancements in their respective service territories that would otherwise not be economical or practical to implement.

*(iii) Describe how the distribution systems within the service areas will be operated, including whether the proposed transaction will cause a change of control*

As ERTH is acquiring THI the proposed transaction will result in a change of control. All assets in THI’s service territory will fall under the control of ERTH in the Phase 1 Transaction and then transfer to New EPC in the Phase 2 transaction.

Both before and after the Phase 1 Transaction, THI will be municipally owned, however the particular municipal owners will change to include the owners of ERTH and the Seller.

The Applicant is proposing that the current operation centres will be maintained in both territories for a period of time after closing of the Phase 1 transaction. The Applicant has committed maintaining THI’s existing customer service centre in the Town of Tillsonburg<sup>12</sup> and assuming THI’s existing lease commitment for its operation centre in Tillsonburg.<sup>13</sup>

During Phase 2 and beyond, the main headquarters are expected to be EPC’s new office and operations centre recently approved by the Board in EB-2024-0021, located in Ingersoll, Ontario. Functions such as engineering, procurement, human resources, finance, legal, regulatory, information technology, and customer service will be administered and delivered from the Ingersoll location, with each location having operations staffing similar to current resourcing levels.

Following the Phase 2 Transaction, the organization of EPC’s operational structure will be implemented in a way that ensures THI leverages the centralized functions at EPC and ERTH to

<sup>12</sup> *Supra* note 9.

<sup>13</sup> *Supra* note 10.

ensure that New EPC continues to be an efficient, effective, and compliant LDC while still ensuring a local presence exists in all service territories. It is extremely important to provide the same level of local service the communities are accustomed to. The adoption and extension of EPC's processes and systems by THI will provide an economical approach to unlocking opportunities and levels of service that would otherwise be cost prohibitive to consider.

*4.2 Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry*

As discussed above under objective 1, with respect to price, ERTH's acquisition of THI eventually has the potential to create modest efficiencies and cost efficiencies; ERTH and EPC will be able to capitalize on this potential due to its significant experience in the industry.

ERTH is skilled at operating a utility that services the same types of customer classes served by THI as well as in a service territory with similar characteristics and terrain as THI and doing so in a cost-efficient manner. ERTH and its affiliates are in fact currently providing management oversight and other operational services to THI as discussed in Section 4.1(i) above. THI historical return on equity ("ROE") performance (achieved vs. deemed) has recently approved under ERTH's management oversight. THI achieved an ROE that was almost 300 basis points greater than its deemed ROE in 2025.

The proposed transaction will enhance the degree and speed to which this operational expertise and management philosophy will be brought over to THI. Over the long-term horizon, this acquisition is anticipated to generate sustainable administrative cost savings (compared to a scenario absent the transaction) as a result of centralizing back-office functions including management, billing, customer service, finance, legal, and regulatory functions.

The acquisition will also provide THI with the benefit of being a part of a larger strategic plan that focuses on driving the LDC forward. The core strengths of EPC and ERTH in community building, reliability, safety, operations, customer service, and solid financial performance will be leveraged by THI through one integrated management team and board of directors. The anticipated savings will be passed on to customers through lower OM&A costs after Phase 2 of the transaction. The Phase 2 Transaction may provide for sustainable cost reductions that benefit customers over the longer term without reducing the levels of customer service and reliability that customers of THI expect.

(i) *Identify all incremental costs of the proposed transaction*

Incremental one-time transaction and transition costs are expected to be approximately \$250,000. These costs will not be included in the revenue requirement of THI, EPC, or the New EPC and thus will not be funded by ratepayers.

The parties to the proposed transactions have incurred, and will continue to incur, incremental transaction costs in respect of the proposed acquisition and future consolidation. These costs include but are not limited to: due diligence on the part of all parties, the costs associated with negotiating the terms of the purchase, costs associated with all regulatory, legal and statutory reviews in order to receive necessary regulatory approvals and internal resources. Incremental transition costs that are expected as a result of the Phase 2 Transaction include information technology, legal, and professional advisory services.

(a) *Transaction Costs*

The Applicant and the Seller retained its own independent legal and financial advisors. Such costs are borne by the parties and will not carry into distribution rates or the new entity.

(b) *Implementation / Integration Costs*

The integration costs will be financed through the anticipated productivity savings expected from the transaction during the period after the Phase 2 transaction. As always, there will be timing differences between expense outlays and their recovery.

OM&A incremental transitional costs are primarily related to:

- Transition planning and execution – third party and additional staff costs related to implementing the transition plan;
- IT costs – costs associated with system integration and standardization;
- Communication costs – development and execution of customer and other stakeholder communications at various stages of transition; and
- Workforce training – costs associated with retraining employees on new systems, processes, and policies.

(ii) *Provide a valuation of assets or shares that will be transferred in the proposed transaction*

The purchase price valuation will be based on THI's September 2024 rate base which has been agreed upon by both the buyer and the seller as per the Purchase and Sale Agreement.

(iii) *Details as to why purchase price will not have an adverse effect on the financial viability of the acquiring utility*

In the proposed Phase 1 transaction, the acquiring entity is ERTH, a holding company, so there will be no direct effect on the financial viability of THI. Moreover, pursuant to the terms of the Purchase and Sale Agreement, the Seller has agreed to receive shares in ERTH as consideration for the THI shares and, as such, the proposed non-cash transaction will not have an adverse effect on the financial viability of THI. Since the consideration being exchanged for the proposed transaction are shares in ERTH, not cash, the consideration will not have any adverse effect on the financial viability of ERTH.

Ratepayers will not pay for incremental transaction or transition costs. The integration costs will be financed through anticipated productivity savings, primarily those expected after the Phase 2 transaction.

(iv) *Provide details of the financing of the proposed transaction*

As the Seller will receive shares in ERTH as consideration for the THI shares, financing is not required for the proposed transaction.

(v) *Financial Statements*

Appendix G to this Application contains EPC and THI's audited annual financial statements for the years 2024 and 2025 for EPC and THI.

## **5. Rate Considerations for Consolidation Applications**

The Applicant requests the Board's approval of a 9-year rate rebasing deferral period for THI during which it will operate under the OEB's Price Cap IR framework. Assuming that the Phase 1 transaction is approved and closes in 2026, the end of the requested 9-year rate deferral period will occur in the 2035 rate year. Accordingly, the Applicant proposes to implement an earnings sharing mechanism ("**ESM**") consistent with the Consolidation Handbook for THI (the "**THI ESM**").

Phase 1 of this transaction does not contemplate EPC requesting a rebasing deferral period and therefore an earnings sharing mechanism ("**ESM**") will not be required for EPC; the intent is to file the EPC CoS Application in order to have, *inter alia*, distribution rates adjusted and to ensure that the synergies that arose from the prior consolidation of EPC and West Coast Huron Energy Inc. are passed along to ratepayers.

Phase 2 of this transaction may include a proposal for a rebasing deferral period. The rates in each of the two service territories will continue to be set by the Board's Price Cap IR until rebasing.

The Handbook states that “Consolidating entities that propose to defer rebasing beyond five years, must implement an [ESM] for the period beyond five years.”<sup>14</sup> The THI ESM proposed by the Applicants for years six to nine of the rebasing deferral period in this Application is consistent with the 2015 Report and Handbook which states that the ESM:

*“would be implemented if the consolidated entity’s ROE was greater than 300 bps above the allowed ROE as set out under the incentive regulation policy. The ESM will be based on a 50:50 sharing of excess earnings with consumers.”*<sup>15</sup>

Accordingly, the Applicants propose the THI ESM to be effective years six to nine of the rebasing deferral period proposed in this Application with the following structure:

- The ESM will apply to actual achieved return on equity (ROE) of THI relative to the OEB-approved ROE for THI for the applicable rate year.
- The ESM will be triggered when THI's achieved ROE exceeds the OEB-approved ROE by more than 300 basis points.
- For earnings in excess of this threshold, the Applicants propose a 50/50 sharing between customers and shareholders of THI, consistent with the OEB's standard ESM design for consolidated utilities.
- The ESM will apply annually and will be calculated and reported as part of THI's annual RRR filings and any subsequent OEB review processes.

The Applicant respectfully requests that the Board approve the establishment of a new deferral account for THI titled the Earnings Sharing Mechanism Deferral Account (“**ESMDA**”), effective on the closing date of the Phase 1 transaction. The ESMDA is required to record amounts arising from the THI ESM proposed as part of this Application during the requested deferred rebasing period. A draft accounting order reflecting the above is attached as Appendix G.

The regulatory net income will be calculated, for the purpose of earnings sharing, in the same manner as net income for regulatory purposes under the Board's Reporting and Record Keeping Requirements (“RRRs”). The Applicants expect that the computation of the ROE will exclude revenue and expenses that are not otherwise included for regulatory purposes.

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<sup>14</sup> Handbook, p. 16.

<sup>15</sup> Handbook, p. 23.

## **6. Rate Harmonization**

The Applicants will not be harmonizing rates at the time of rebasing as part of the Phase 1 Transaction. EPC and THI would continue to operate independently as separate utilities. Rate harmonization may be addressed as part of the Phase 2 Transaction.

## **7. Post-Consolidation Monitoring and Reporting**

The Applicant intends for THI and EPC to continue to operate independently as separate utilities after the close of the Phase 1 transaction. Reliability will continue to be reported separately for each utility.

Given that the Applicant will defer rebasing THI's cost structure for more than 5 years post the Phase 1 MAADs process, the Applicant will file a mid-term report for THI containing the required components as set out in the Post-Consolidation Monitoring and Reporting section of the Handbook. The Applicant also confirms that in its first rebasing application updates to the mid-term report will be provided for any period not included in that report.

With respect to feeder level reliability, THI is not required to report feeder level reliability, and it has not reported feeder level reliability in the past. During the proposed rate deferral period, THI will continue to report system level reliability as part of its annual reporting and record-keeping requirements (RRR) filings to the Board.

## **8. Inapplicability of Accounting Matters**

Both THI and EPC will continue to operate on a stand-alone basis until Phase 2. This means that each of THI and EPC will continue to maintain separate reporting and record keeping, rate applications and tracking of deferral and variance accounts. Group 1 and Group 2 accounts will be tracked on a stand-alone basis until the Phase 2 application is filed.

With respect to timing of Group 2 disposition, EPC will be filing its rebasing applications as scheduled and THI has recently had its rebasing application approved. There will be no impacts to intergenerational inequity because of this Phase 1 application as EPC and THI will be maintaining the same disposition schedule for these accounts.

For these reasons, the accounting matters listed in section 2.2.8 of the Handbook are not applicable for Phase 1.

## 9. Other Related Matters

### 9.1 *Implementation of new or the extension of existing rate riders*

No new rate riders are proposed by the Applicant as a result of the proposed transaction and this Application.

### 9.2 *Transfer of rate order and licence / Licence amendment and cancellation*

Not required for the Phase 1 transaction.

### 9.3 *Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB*

The Applicant requests the Board's approval to continue to track costs in the deferral and variance accounts currently approved by the Board for THI.

### 9.4 *Approval to use different accounting standards for financial reporting following the closing of the proposed transaction*

The Applicant does not propose the use of any different accounting standards. THI and EPC both adopted International Financial Reporting Standards (“**IFRS**”) and utilize MIFRS for regulatory reporting purposes.

**APPENDIX A**  
**Mapping of Application to Filing Requirements**

<b>Reference to the Handbook</b>	<b>Filing Requirements</b>	<b>Reference</b>
1.2 Certification of Evidence	Certification of Evidence	Page 5
1.6 Certification Regarding Personal Information	Certification Regarding Personal Information	Page 5
2.1 Exhibit A: The Index	Index	Pages 2-4
2.2 The Application		
2.2.1 Administrative		
	Legal name of the applicant or applicants	Section 1.1 – Section 1.2
	Details of the authorized representative of the applicants, including the name, phone and fax numbers, and email and delivery addresses	Section 1.2
	Legal name of the other party or parties to the transaction, if not an applicant	Section 1.1 – Section 1.2; Section 2.1; Appendix B
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	Section 1.2
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Section 1.1; Section 2; Section 3; Appendix B

Reference to the Handbook	Filing Requirements	Reference
2.2.2 Description of the Business of the Parties to the Transaction		
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity.	Section 2.1; Section 2.2; Appendix B
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or, if not, the relative distance between service boundaries.	Section 2.3
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Section 2.4
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Section 2.5
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Section 2.6; Section 3.1; Section 3.5;
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the maximum peak load (kW) for each distributor’s service area that is used to calculate the distributor’s maximum “cumulative generation capacity from net metered generators”.	Section 2.7
2.2.3 Description of the Proposed Transaction		

Reference to the Handbook	Filing Requirements	Reference
	Provide a detailed description of the proposed transaction.	Section 3.1; Section 3.5
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the <i>Ontario Energy Board Act, 1998</i> .	Section 1.1
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Section 3.1
	Provide all final legal documents to be used to implement the proposed transaction.	Section 3.2 – Section 3.3; Appendix C; Appendix D
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Section 3.3; Appendix D
2.2.4 Impact of the Proposed Transaction		
<i>Objective 1 – Protect Consumers with respect to prices and the adequacy, reliability and quality of electrical service</i>		
	Indicate the impact the proposed transaction will have on all consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Section 4.1(i) – Section 4.1(ii)
	Provide a year-over-year comparative forecast revenue requirement analysis for the proposed transaction, comparing the costs of the utilities post-	Section 4.1(i)

Reference to the Handbook	Filing Requirements	Reference
	transaction on a consolidated basis and the costs of the utilities in the absence of the transaction.	
	Provide a statement confirming that at the time of the post-consolidation rebasing application, the consolidated entity will produce an updated analysis comparing the revenue requirement (under both the consolidated scenario and the status quo) but based on information available on a reasonable efforts basis. Further, provide a statement confirming that this will be supplemented with a comparison and discussion of the consolidation application forecasts versus those filed in the post-consolidation rebasing application.	Section 4.1(i)
	Provide a comparison of the operations, maintenance and administrative (OM&A) cost per customer per year between the consolidating utilities.	Section 4.1(i)
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Section 4.1(iii)
	Describe how the distribution or transmission systems within the service areas will be operated.	Section 4.1(ii) Section 4.1(iii)
<i>Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry</i>		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity), identifying the various aspects of utility operations where the applicant expects sustained operational efficiencies (both quantitative and qualitative).	Section 4.2

Reference to the Handbook	Filing Requirements	Reference
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental transition costs (e.g. employee severances), and incremental on-going costs (e.g. purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Section 4.2(i)
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Section 4.2(ii)
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	Section 4.2(iii)
	Provide details of the financing of the proposed transaction.	Section 4.2(iv)
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.	Section 4.2(v); Appendix F
	Provide pro forma financial statements for the consolidated entity for the first full year following the completion of the proposed transaction, including the assumptions/explanations used in the pro forma financials, as well as the methodology used to forecast amounts.	N/A. As EPC and THI are not being merged as part of the Phase 1 transaction, the Applicant plans to provide pro forma financial statements for the new EPC as part of the Phase 2 application.

Reference to the Handbook	Filing Requirements	Reference
2.2.5 Rate considerations for consolidation applications		
	Indicate a specific deferred rate rebasing period that has been chosen.	Section 5
	Identify the rate year and effective date for rebased rates at the end of the elected deferred rebasing period.	Section 5
	For deferred rebasing periods greater than five years.	Section 5, App. G
	If applicable, for a proposed consolidation between one consolidated utility in a deferred rebasing period (as a result of a previously approved consolidation) merging or acquiring another utility not in a deferred rebasing period.	N/A
2.2.6 Rate Harmonization	Rate Harmonization	Section 6
2.2.7 Post-Consolidation Monitoring and Reporting	Post-Consolidation Monitoring and Reporting	Section 7
2.2.8 Accounting Matters	Accounting Matters	Section 8
2.2.9 Other		
	Implementation of new or the extension of existing rate riders	Section 9.1
	Transfer of rate order and licence / Licence amendment and cancellation	Section 9.2
	Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Section 9.3
	Approval to use different accounting standards for financial reporting following the closing of the proposed transaction	Section 9.4

## **APPENDIX B**

### **Details regarding the corporate structures of the parties both before and after Phase 1 of the proposed transaction, and applicable governing laws**

ERTH is incorporated under the *Business Corporation Act* (Ontario) (the "OBCA") operating as a parent holding company owned by nine municipal corporations governed by the laws of Ontario. ERTH is also the sole owner of EPC, ERTH Limited, EHI, EBT, and Generation L.P. ERTH will ultimately be the sole owner of Westario Power Inc., if approved.

THI is a corporation incorporated under the OBCA. The Seller is the Town of Tillsonburg, a municipal corporation governed by the laws of Ontario, which is the legal and beneficial owner of all the issued and outstanding common shares in the capital of THI.

Pursuant to the Share Purchase Agreement, as further described herein, subject to the parties obtaining the required approvals, the Seller has agreed to sell, and ERTH has agreed to purchase all of the issued and outstanding THI shares. At this time, ERTH will assume 100% ownership and control of THI.

In exchange for the shares of THI, the Seller will receive one equal voting share and non-voting common shares ERTH (representing a relative economic ownership position in ERTH of 18.78% following the THI and WPI Phase 1 transactions).

**APPENDIX C**

**Purchase and Sale Agreement dated April 27, 2026, between the Applicant and the Seller**

*Strictly Confidential*

*EXECUTION VERSION*

**SHARE PURCHASE AGREEMENT**

**DATED APRIL 27, 2026 BY**

**AND BETWEEN**

**ERTH CORPORATION**

**AS BUYER**

**AND**

**THE CORPORATION OF THE TOWN OF TILLSONBURG**

**AS SELLER**

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Exhibit D	Shareholder Agreement and Accession Agreement
Exhibit E	Consideration Share Attributes
Exhibit F	Community Involvement Agreement
Exhibit G	Customer Services Agreement

## SHARE PURCHASE AGREEMENT

This Share Purchase Agreement, dated April 27, 2026 (this "Agreement"), is entered into by and between EARTH CORPORATION, a corporation incorporated under the laws of the Province of Ontario (the "Buyer") and THE CORPORATION OF THE TOWN OF TILLSONBURG, A municipality located in the Province of Ontario (the "Seller"). Buyer and Seller may be referred to herein individually as a "Party" and collectively as the "Parties."

### Recitals

- A. Seller is the legal and beneficial owner of all of the issued and outstanding shares (the "Shares") in the capital of Tillsonburg Hydro Inc. (the "Corporation").
- B. The Corporation is licensed by the OEB to distribute electricity in Ontario.
- C. Seller desires to sell and assign to Buyer, and Buyer desires to purchase and acquire from Seller, the Shares in return for the consideration set forth herein.

### Agreement

IN CONSIDERATION OF the mutual premises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

#### ***SECTION 1 DEFINITIONS.***

Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in Appendix 1, which is incorporated into this Agreement.

#### ***SECTION 2 PURCHASE AND SALE; CONSIDERATION AND CLOSING.***

*(a) Purchase and Sale.* Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer agrees to purchase from Seller, and Seller agree to sell to Buyer, all of the Shares, free and clear of any Liens, for the consideration specified herein.

*(b) Aggregate Purchase Price.*

The aggregate purchase price payable by Buyer to the Seller for all of the Shares shall be \$25,940,000 (the "Purchase Price"). The Purchase Price shall be paid by Buyer in accordance with Section 2 (c).

*(c) Closing.* The closing of the transactions contemplated by this Agreement (the "Closing") shall take place by electronic means on the Closing Date. The Parties intend for the transactions contemplated in this Agreement to be effective as of 12:01 a.m. Eastern Time on the Closing Date (the "Effective Time").

- (i)* At the Closing, subject to this Section 2 (d), the Buyer shall issue, as fully paid, in the name of the Seller:

- (A) 6,264,547 Class B shares in the capital of the Buyer (the "Payment Shares"), representing 18.78% of the issued and outstanding shares in the capital of the Buyer; and
- (B) one Class A share in the capital of the Buyer (the "Voting Share" and, together with the Payment Shares, the "Consideration Shares").

The attributes of the Consideration Shares are set out in Exhibit E hereto.

- (ii) The number of Consideration Shares issued pursuant to Section 2 (c)(i) shall be subject to appropriate adjustment in the event of any share split, combination or other similar recapitalization with respect to the Consideration Shares prior to the Closing Date.
- (iii) If the number of Consideration Shares to be issued to the Seller is not a whole number, then:
  - (A) any fractional entitlement to Consideration Shares which is 0.5 or greater will be rounded up to the nearest whole number of Consideration Shares; and
  - (B) any fractional entitlement to Consideration Shares which is less than 0.5 will be rounded down to the nearest whole number of Consideration Shares.

**(d) Closing Deliverables.** At the Closing, Buyer shall deliver or cause to be delivered to Seller the following, with each payment to be made by wire transfer of immediately available funds:

- (A) share certificates representing all of the Payment Shares;
- (B) share certificate representing the Voting Share;
- (C) certificates of status for Buyer and Buyer Subsidiaries issued on or within three (3) days before the Closing Date by the Ministry of Public and Business Service Delivery of the Province of Ontario (or comparable officer);
- (D) a certificate of the secretary of Buyer, dated the Closing Date, in form and substance reasonably satisfactory to Seller, evidencing: (w) a true, correct and complete copy of the Buyer's articles of incorporation, as in effect as of the Closing Date and a true, correct and complete copy of the Buyer's bylaws, as in effect as of the Closing Date; (x) a copy of the corporate resolution of the Buyer authorizing this Agreement, all agreements ancillary hereto and the consummation of the transactions contemplated hereby; (y) the names of the officers and directors of the Buyer; and (z) a copy of the consent of the shareholders of the Buyer authorizing the consummation of the transactions contemplated hereby as required by the Shareholder Agreement;

- (E) to Seller a certificate of the secretary of Buyer, dated the Closing Date, confirming the accuracy of the representations and warranties of Buyer and Buyer Subsidiaries as at the Closing Date;
  - (F) a duly executed copy of the Promissory Note or share certificates representing all of the Special Shares;
  - (G) a duly executed copy of the Customer Services Agreement;
  - (H) a duly executed copy of the Community Involvement Agreement;
  - (I) a duly executed copy of the Termination Agreement; and
  - (J) to Aird & Berlis LLP, the amount of the professional fees, disbursements and taxes of Aird & Berlis LLP (the "Advisor Fees Payment") incurred on or prior to the Closing Date with respect to applying for and obtaining the necessary exemptions from the appropriate Governmental Authority to issue the Promissory Note, as described in Section 6(d)(i) herein. As of the date hereof, the Advisor Fees Payment is estimated to be approximately [REDACTED] and remains subject to adjustment based upon complexity, time commitment and other factors relevant to the exemption application.
- (ii) Seller shall deliver or cause to be delivered to Buyer the following:
- (A) share certificates representing all of the Shares, duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record;
  - (B) a duly executed copy of the Accession Agreement;
  - (C) the resignations, effective as of the Closing Date, of the directors and officers of the Corporation;
  - (D) the minute books of the Corporation;
  - (E) a certificate of status for the Corporation issued on or within three (3) days before the Closing Date by the Ministry of Public and Business Service Delivery of the Province of Ontario (or comparable officer);
  - (F) a certificate of an officer for the Corporation, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, evidencing: (w) a true, correct and complete copy of such Corporation's articles of incorporation, as in effect as of the Closing Date; (x) a true, correct and complete copy of the Corporation's bylaws, as in effect as of the Closing Date; (y) the names of the officers and directors of the Corporation; and (z) a true, correct and complete copy of resolutions of the directors and shareholders of Corporation authorizing (as applicable) the transactions contemplated by

this Agreement, including the transfer of the Shares of such Person to the Buyer as provided herein;

- (G) a certificate of the secretary of the Seller, dated the Closing Date, confirming the accuracy of the representations and warranties of the Seller as at the Closing Date;
- (H) a duly executed copy of the General Conveyance;
- (I) a duly executed copy of the Customer Services Agreement;
- (J) a duly executed copy of the Community Involvement Agreement; and
- (K) a copy of the Termination Agreement, duly executed by the Corporation.

**(e) Dividends.**

Notwithstanding anything to the contrary in this Agreement, prior to Closing:

- (A) the board of directors of the Corporation shall have the right to declare and pay dividends on the Shares in accordance with past practice in an amount reflecting a percentage of the net income of the Corporation for: (i) the 2025 fiscal year; and (ii) the portion of the 2026 fiscal year that occurs prior to the Closing Date; and
- (B) the board of directors of Buyer shall have the right to declare and pay dividends on the Payment Shares in accordance with past practice in an amount reflecting a percentage of the consolidated net income of Buyer for: (i) the 2025 fiscal year; and (ii) the portion of the 2026 fiscal year that occurs prior to the Closing Date.

**SECTION 3 REPRESENTATIONS AND WARRANTIES CONCERNING THE TRANSACTION.**

**(a) Seller's Representations and Warranties.** Seller represents and warrants to Buyer, as of the date of this Agreement and as of the Effective Time as follows:

- (i) **Authorization of Transaction.** Seller has the requisite power and authority to execute and deliver this Agreement and to perform such obligations hereunder. This Agreement has been duly and validly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller (assuming due authorization, execution and delivery by Buyer), enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. Except as disclosed in Section 3 (a)(i) of the Disclosure Schedule, Seller is not obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of, any Governmental Authority or

other third party in order to execute and deliver this Agreement or consummate the transactions contemplated hereby.

- (ii) **Non-contravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will: (A) violate any provision of, or result in the breach of, any applicable Law to which Seller is subject or by which any property or asset of Seller is bound, (B) conflict with, result in a breach of, constitute a default (or an event which with notice or lapse of time or both could become a default) under, result in the acceleration or termination of, result in the loss of a benefit under, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under, any agreement, contract, lease, license, instrument, or other arrangement to which Seller is a party or by which Seller is bound or to which any of Seller's assets are subject, or (C) result in the imposition or creation of a Lien upon or with respect to the Shares owned by Seller.
- (iii) **Investment Intent.** Seller is acquiring the Consideration Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Seller has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Payment Shares and Voting Share. Seller is an "Accredited Investor" (as such term is defined in National Instrument 45-106 or the *Securities Act* (Ontario) or under Regulation D of the United States Securities Act of 1933, as applicable and as each may be amended from time to time). Seller is able to bear the economic risk of holding the Consideration Shares for an indefinite period (including total loss of its investment).
- (iv) **Brokers' Fees.** Except as set out in Section 3 (a)(iv) of the Disclosure Schedule, Seller has incurred no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Buyer or the Corporation shall have any responsibility whatsoever.
- (v) **Shares.** Seller holds of record and owns beneficially all of the Shares, free and clear of any restrictions on transfer, taxes, Liens, options, option plans, warrants, purchase rights, contracts, commitments, equities, claims, and demands. Seller is not a party to any option, option plan, warrant, purchase right, or other contract or commitment that could require Seller to sell, transfer, or otherwise dispose of any of the Shares. Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any of the Shares.
- (vi) **Residence.** Seller is not a "non-resident" of Canada for the purposes of the Tax Act.
- (vii) **No Additional Representations and Warranties.** Seller has not, and no other Person on behalf of Seller has, provided any written or oral representations or warranties except as set forth in this Agreement and the Disclosure Schedule.

**(b) Buyer's Representations and Warranties and Representations.** Buyer represents and warrants to Seller as of the date of this Agreement and as of the Effective Time as follows:

- (i) **Organization of Buyer and Buyer Subsidiaries.** Each of Buyer and Buyer Subsidiaries is a corporation duly formed, validly existing, and in good standing under the laws of Ontario.
- (ii) **Authorization of Transaction.** Buyer has the requisite power and authority to execute and deliver this Agreement and to perform its respective obligations hereunder. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer (assuming due authorization, execution and delivery by Seller), enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. Except as set out in Section 12, Buyer is not obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of, any Governmental Authority or other third party in order to execute and deliver this Agreement or consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Buyer.
- (iii) **Non-contravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (A) violate any applicable Law to which Buyer or any Buyer Subsidiary is subject or by which its properties are bound or affected or any provision of the organizational documents of Buyer; or (B) conflict with, result in a breach of, constitute a default (or an event which with notice or lapse of time or both could become a default) under, result in the acceleration or termination of, result in the loss of a benefit under, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under, any agreement, contract, lease, license, instrument, or other arrangement to which Buyer or any Buyer Subsidiary is a party or by which it is bound or to which any of its assets is subject. Neither Buyer nor any Buyer Subsidiary is obligated to deliver any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Authority or other third party in order for the Parties to consummate the transactions contemplated by this Agreement.
- (iv) **Investment Intent.** Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Shares. Buyer is an "Accredited Investor" (as such term is defined in National Instrument 45-106 or the *Securities Act* (Ontario) or under Regulation D of the United States Securities Act of 1933, as applicable and as each may be amended from time to time). Buyer is able to bear the economic risk of holding the Shares for an indefinite period (including total loss of its investment).

- (v) **Brokers' Fees.** Buyer has incurred no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Seller shall have any responsibility whatsoever.
- (vi) **No Reliance on other Representations and Warranties.** Buyer has not relied upon, or been induced to enter into this Agreement or consummate the transactions contemplated hereby by, any written or oral representations or warranties except as set forth in this Agreement and the Disclosure Schedule.
- (vii) **Residence.** Each of the Buyer and Buyer Subsidiaries is not a non-resident of Canada for purposes of the Tax Act.
- (viii) **Regulatory Approvals.** Except as set out in Section 13 and except as has already been obtained, no authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of the Buyer or Buyer Subsidiaries in connection with the execution, delivery and performance by any of them of this Agreement or any other documents and agreements to be delivered under this Agreement or in connection with the completion of the transactions contemplated hereby or thereby.
- (ix) **Consents.** There is no requirement to obtain any consent, approval or waiver of a party under any Material Contract to which Buyer or any Buyer Subsidiary is a party in order to complete the transactions contemplated by this Agreement.
- (x) **Capitalization.** The entire authorized capital of Buyer consists of an unlimited number of Voting Shares, of which nine (9) are issued and outstanding, and an unlimited number of Payment Shares, of which 27,092,997 are issued and outstanding. All of the issued and outstanding Voting Shares and Payment Shares have been duly authorized, are validly issued, fully paid, and non-assessable, have not been issued in violation of any preemptive or similar rights, and are held of record by the applicable shareholder set out in the Disclosure Schedule. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, preemptive rights, or other contracts or arrangements that could require Buyer or any Buyer Subsidiary to issue, sell, or otherwise cause to become outstanding, or purchase, redeem or otherwise acquire, any of its capital. There are no outstanding or authorized equity appreciation, phantom equity, profit participation, or similar rights with respect to Buyer or any Buyer Subsidiary. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of shares in the capital of Buyer or any Buyer Subsidiary.
- (xi) **Subsidiaries.** Buyer is the owner of record of, and has good and valid title to, all of the issued and outstanding shares in the capital of each of the Buyer Subsidiaries, free and clear of all Liens. Each of the Buyer Subsidiaries' shares have been duly authorized, are validly issued, fully-paid and non-assessable. Except for the Buyer Subsidiaries, the Buyer does not directly or indirectly own any Securities in, or any

interest convertible into, exercisable for the purchase of or exchangeable for any Securities in, any Person.

- (xii) **Corporate Articles.** The Corporate Articles constitute all of the charter documents of Buyer and the Buyer Subsidiaries, respectively, and are in full force and effect; no action has been taken to amend any Corporate Articles and no changes to such Corporate Articles are planned.
- (xiii) **Corporate Existence.** Except as disclosed in the Disclosure Schedule, each of Buyer and Buyer Subsidiaries has been duly incorporated and organized and is validly existing and in good standing as a corporation under the laws of the Province of Ontario. No proceedings have been taken or authorized by Buyer or any Buyer Subsidiary in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of Buyer or any Buyer Subsidiary.
- (xiv) **Capacity and Powers.** Buyer and each of the Buyer Subsidiaries has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on its business as currently being conducted.
- (xv) **Jurisdictions.** Except as disclosed in the Disclosure Schedule, Ontario is the only jurisdiction in which Buyer or Buyer Subsidiaries are qualified to do business. Neither the character nor location of Owned Lands or Leased Premises, nor the nature of Buyer or any Buyer Subsidiary's business, except as disclosed in the Disclosure Schedule, requires qualification to do business in any other jurisdiction.
- (xvi) **Options, Etc.** No Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for: (A) the purchase of any Securities of Buyer or any Buyer Subsidiary; or (B) the purchase of any of the assets of Buyer or any Buyer Subsidiary other than in the Ordinary Course of Business.
- (xvii) **Corporate Records/Directors.** The corporate records and minute books of Buyer and Buyer Subsidiaries contain in all material respects complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of Buyer and Buyer Subsidiaries, held or passed since incorporation. All those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of Buyer and Buyer Subsidiaries are complete and accurate in all material respects.
- (xviii) **Books and Records.** The Books and Records of Buyer and Buyer Subsidiaries fairly and correctly set out and disclose in accordance with IRFS in all material respects the financial position of the Corporation, and all material financial transactions of Buyer and Buyer Subsidiaries have been accurately recorded in such Books and Records.

- (xix) **Financial Statements.** All financial statements of the Buyer and each Buyer Subsidiary have been prepared in accordance with IFRS and present fairly and correctly: (A) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of Buyer and Buyer Subsidiaries as at the respective dates thereof; and (B) the sales, earnings and results of the operations of Buyer and Buyer Subsidiaries during the periods covered by such financial statements; but the unaudited interim financial statements: (X) do not contain all notes required under IFRS; and (Y) are subject to normal year-end audit adjustments.
- (xx) **Tax Matters.**
- (A) Buyer LDC is exempt from Income Tax under the Tax Act, CTA and TA 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, CTA and TA if it were not exempt from Tax under those statutes. Buyer and all other Buyer Subsidiaries are not exempt from Income Tax under the Tax Act, CTA and TA.
  - (B) Each of Buyer and Buyer Subsidiaries has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions on a timely basis. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. Buyer and Buyer Subsidiaries have not been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Buyer and Buyer Subsidiaries have paid all Taxes and all instalments of Taxes due on or before the date hereof.
  - (C) Assessments under the EA have been issued to Buyer and Buyer Subsidiaries covering all periods up to and including its fiscal year ended December 31, 2024.
  - (D) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Buyer, threatened against Buyer or any Buyer Subsidiary, 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. To the Knowledge of Buyer, there is no contingent liability of Buyer or any Buyer Subsidiary for Taxes or any grounds that could prompt an assessment or reassessment for Taxes. Buyer and Buyer Subsidiaries have not received any indication from any Governmental Authority that any assessment or reassessment is proposed.
  - (E) Buyer and Buyer Subsidiaries have not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom Buyer or Buyer Subsidiaries is or was not dealing at arm's length (within

the meaning of the Tax Act). Buyer and Buyer Subsidiaries have not acquired property from any Person in circumstances where Buyer or any Buyer Subsidiary did or could have become liable for any Taxes payable by that Person.

- (F) Buyer and Buyer Subsidiaries will not be required to include in a taxable period ending after the Closing Date any material taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to exclude from taxable income in a taxable period ending after the Closing Date any material deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date).
  - (G) There are no circumstances existing which could result in, or which have existed and resulted in, the application of section 78 of the Tax Act, as it applies for purposes of the EA, in respect of an amount owing by Buyer or any Buyer Subsidiary on the Closing Date.
  - (H) Buyer and Buyer Subsidiaries have 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, or the payment of any Taxes by or in respect of Buyer and Buyer Subsidiaries. Buyer and Buyer Subsidiaries are not party to any agreements or undertakings with respect to Taxes.
  - (I) Buyer and Buyer Subsidiaries are registrants for purposes of the ETA. All input tax credits claimed by Buyer and Buyer Subsidiaries pursuant to the ETA has been proper, correctly calculated and documented. Buyer and Buyer Subsidiaries have collected, paid and remitted when due all Taxes, including goods and services tax, harmonized sales tax and retail sales tax, collectible, payable or remittable by it.
  - (J) Buyer and Buyer Subsidiaries have remitted to the appropriate Governmental Authority when required by Law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax imposed under the ETA.
  - (K) Buyer and Buyer Subsidiaries maintain their respective Books and Records in compliance with section 230 of the Tax Act.
- (xxi) ***Absence of Changes.*** Since the date of the Financial Statements, there has not been:
- (A) any change in the financial condition, operations, results of operations, or business of Buyer or any Buyer Subsidiary which has had a Material Adverse Effect, nor has there been any occurrence or circumstances which,

to the Knowledge of Buyer, with the passage of time might reasonably be expected to have a Material Adverse Effect; or

- (B) any Loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by Buyer or any Buyer Subsidiary which, to the Knowledge of Buyer, has had, or may reasonably be expected to have, a Material Adverse Effect.
- (xxii) ***Absence of Undisclosed Liabilities.*** Except to the extent reflected or reserved in the Financial Statements, or incurred subsequent to the date of the Financial Statements and incurred in the Ordinary Course of Business, or as set out in the Disclosure Schedule, Buyer and Buyer Subsidiaries do not have any material outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt) of a nature customarily reflected or reserved against in a balance sheet (including the notes to the Financial Statements) in accordance with IFRS. For the purposes of this Section only, indebtedness, liabilities or obligations owing to any third party in excess of fifty thousand dollars (\$50,000) will be deemed to be material.
- (xxiii) ***Absence of Unusual Transactions.*** Except as disclosed or referred to in the Disclosure Schedule, since the date of the Financial Statements, Buyer and Buyer Subsidiaries have not:
- (A) given any guarantee of any debt, liability or obligation of any Person;
  - (B) subjected any of its assets, or permitted any of its assets to be subjected, to any Lien other than the Permitted Liens;
  - (C) acquired, sold, leased or otherwise disposed of or transferred any assets other than in the Ordinary Course of Business;
  - (D) made or committed to any capital expenditures, except in the Ordinary Course of Business;
  - (E) declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature to any of its shareholders or any other non-arm's length Person, or taken any corporate proceedings for that purpose;
  - (F) redeemed, purchased or otherwise retired any of its shares or otherwise reduced its stated capital;
  - (G) entered into or became bound by any Contract, except in the Ordinary Course of Business (other than this Agreement);
  - (H) modified, amended or terminated any Contract (except for Contracts which expire by the passage of time) resulting in a Material Adverse Effect;

- (I) waived or released any right or rights which it has or had, or a debt or debts owed to it resulting, collectively or individually, in a Material Adverse Effect;
  - (J) made any material change in any compensation arrangement or agreement with any Buyer Employee or any officer or director;
  - (K) made any change in any method of accounting or auditing practice (other than as disclosed in the Financial Statements); or
  - (L) agreed or offered to do any of the things described in this Subsection (xxiii).
- (xxiv) ***Title to and Condition of Assets.*** Buyer and Buyer Subsidiaries own, possess and have good and marketable title to all of its undertakings, property and assets not otherwise the subject of specific representations and warranties in this (c), including all the undertakings, property and assets reflected in the most recent balance sheet included in the Financial Statements, free and clear of all Liens other than Permitted Liens. The undertakings, property and assets of each member of Buyer and Buyer Subsidiaries comprise all of the undertakings, property and assets necessary for it to carry on its business as it is currently operated. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by Buyer and Buyer Subsidiaries are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and usable for the purposes for which they are being used.
- (xxv) ***Real Property.***
- (A) The Disclosure Schedule contains a complete and accurate list of the Owned Lands of the Buyer and each Buyer Subsidiary, including complete legal descriptions, and the particulars of the Leased Premises and Real Property Leases of the Buyer and each Buyer Subsidiary.
  - (B) Buyer and Buyer Subsidiaries have all Easements that are necessary for it to carry on their business as it is currently operated.
  - (C) Buyer and Buyer Subsidiaries have not received any, nor to the Knowledge of Buyer, are there any pending or threatened, notices of violation or alleged violation of any Laws against or affecting the Owned Lands or Leased Premises of the Buyer of the Buyer Subsidiaries.
  - (D) The buildings and other structures and improvements located on the Owned Lands of the Buyer and the Buyer Subsidiaries or forming part of the Leased Premises of the Buyer and the Buyer Subsidiaries, and their operation and maintenance, comply with all applicable Laws, and none of those buildings or structures or improvements encroaches upon any land not owned or leased by Buyer or the Buyer Subsidiaries.

- (E) There are no restrictive covenants or Laws which in any way restrict or prohibit any part of the present use of the Owned Lands or Leased Premises of the Buyer or the Buyer Subsidiaries, other than the Permitted Liens. Buyer and Buyer Subsidiaries have such rights of entry and exit to and from the Owned Lands and the Leased Premises of the Buyer or the Buyer Subsidiaries as are reasonably necessary to carry on its business as currently conducted.
- (F) No Person has any right to purchase any of the Owned Lands of the Buyer or the Buyer Subsidiaries and no Person other than Buyer and Buyer Subsidiaries is using or has any right to use, is in possession or occupancy, of any part of the Owned Lands of the Buyer or the Buyer Subsidiaries. There exists no option, right of first refusal or other contractual rights with respect to any of the Owned Lands of the Buyer or the Buyer Subsidiaries.
- (G) There are no expropriation or similar proceedings, actual or threatened, of which Buyer and Buyer Subsidiaries have received notice, against any of the Owned Lands or Leased Premises of the Buyer or the Buyer Subsidiaries.
- (H) The Owned Lands of the Buyer or the Buyer Subsidiaries are owned in fee simple, free and clear of all Liens, except Permitted Liens. Buyer and Buyer Subsidiaries have not entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of Buyer and Buyer Subsidiaries in and to the Owned Lands of the Buyer or the Buyer Subsidiaries or the air, density and easement rights relating to such Owned Lands of the Buyer or the Buyer Subsidiaries.
- (I) All of the Real Property Leases of the Buyer or the Buyer Subsidiaries are in full force and effect, unamended, and none of them are, to the Knowledge of Buyer, under any threat of termination.
- (J) Buyer and Buyer Subsidiaries have not received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on the Owned Lands or Leased Premises of the Buyer or the Buyer Subsidiaries, or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with applicable statutes and regulations or building and zoning by-laws and regulations.
- (K) 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 constructed on the Owned Lands or the Leased Premises of the Buyer or the Buyer Subsidiaries have been fully paid to the extent due and no Person is entitled to claim a lien under the *Construction Act* (Ontario) or other similar legislation for such work.

- (L) To the Knowledge of the Buyer, there are no matters affecting the right, title and interest of Buyer and Buyer Subsidiaries in and to the Owned Lands or the Leased Premises of the Buyer or the Buyer Subsidiaries (other than the Permitted Liens) or which, in the aggregate, would materially and adversely affect the ability of Buyer and Buyer Subsidiaries to carry on its business upon such Owned Lands or the Leased Premises of the Buyer or the Buyer Subsidiaries or the Easements, as applicable.

(xxvi) ***Intellectual Property.***

- (A) Except as disclosed in the Disclosure Schedule, there is no Intellectual Property that is registered with any Governmental Authority and that is used in connection with the conduct of Buyer's or any Buyer Subsidiary's business.
- (B) All necessary legal steps have been taken by Buyer and Buyer Subsidiaries to preserve their rights to the Intellectual Property listed in the Disclosure Schedule. The Disclosure Schedule also includes a list of all licence agreements pursuant to which Buyer or any Buyer Subsidiary has been granted a right to use, or otherwise exploit Intellectual Property owned by third parties, other than "off-the-shelf" software license agreements.
- (C) The Intellectual Property that is owned by Buyer or any Buyer Subsidiary is owned free and clear of any Liens other than Permitted Liens, and no Person other than Buyer or a Buyer Subsidiary has any right to use that Intellectual Property except as disclosed in the Disclosure Schedule.
- (D) The use by Buyer or any Buyer Subsidiary of any Intellectual Property owned by third parties is valid, and Buyer and Buyer Subsidiaries are not in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach.
- (E) The conduct by Buyer and Buyer Subsidiaries of their business as currently conducted does not infringe the Intellectual Property of any Person.

(xxvii) ***Accounts Receivable.*** All Accounts Receivable of the Buyer or the Buyer Subsidiaries are reflected in the Financial Statements or which have come into existence since the date of the most recent Financial Statements, were created in the ordinary and customary course of Buyer's or any Buyer Subsidiary's business from bona fide arm's length transactions, and, except to the extent that they have been paid in the Ordinary Course of Business since the date of the Financial Statements, are valid and enforceable and collectible in full, without, to the Knowledge of Buyer, any right of set-off or counterclaim or any reduction for any credit or allowance made or given, except to the extent of the allowance for doubtful accounts which will be included in the annual financial statements of the Buyer and each Buyer Subsidiary for the 2026 fiscal year.

(xxviii) **Material Contracts.** The Disclosure Schedule contains a list of all Material Contracts to which Buyer or any Buyer Subsidiary is a party. All of the Buyer's and the Buyer Subsidiaries' Material Contracts are in full force and effect. To the Knowledge of Buyer, no counterparty to any Material Contract to which Buyer or any Buyer Subsidiary is a party is in default of any of its obligations under such Material Contract in any material respect. Except as disclosed in the Disclosure Schedule, Buyer and Buyer Subsidiaries are entitled to all benefits under each Material Contract, and neither Buyer nor any Buyer Subsidiary has received any notice of termination of any Material Contract, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract.

(xxix) **Accounts and Powers of Attorney.** Buyer and Buyer Subsidiaries have previously disclosed: (A) the name of each bank or other depository in which Buyer or any Buyer Subsidiary maintains any bank account, trust account or safety deposit box and the names of all individuals authorized to draw on them or who have access to them; and (B) the name of each Person holding a general or special power of attorney from Buyer or any Buyer Subsidiary and a summary of its terms.

(xxx) **Compliance with Laws, Permits.** Buyer and Buyer Subsidiaries are conducting their business in compliance with all applicable Laws where the failure to do so (either individually or in the aggregate) would have a Material Adverse Effect. All Permits held by or granted to Buyer or any Buyer Subsidiary are listed in the Disclosure Schedule. Such Permits are the only authorizations, registrations, permits, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to Intellectual Property) required to enable Buyer or any Buyer Subsidiary to carry on its business as currently conducted and to enable Buyer and Buyer Subsidiaries to own, lease and operate their assets. All such Permits are valid, subsisting, in full force and effect and unamended, and Buyer and Buyer Subsidiaries are not in default or breach of any such Permit; no proceeding is pending or, to the Knowledge of Buyer, threatened to revoke or limit any such Permit, and the completion of the transactions contemplated by this Agreement will not result in the revocation of any such Permit or the breach of any term, provision, condition or limitation affecting the ongoing validity of any such Permit.

(xxxii) **Environmental Conditions.** Without limiting the generality of Section 3 (a)(xxx), and except as disclosed in the Disclosure Schedule:

(A) the conduct of the Buyer's or any Buyer Subsidiary's business, and the current use and condition of each of the Leased Premises and Owned Lands of the Buyer or the Buyer Subsidiaries, have been and are in compliance with all applicable Environmental Laws in all material respects, and, to the Knowledge of Buyer, there are no facts which would give rise to any such non-compliance of the the Buyer or any Buyer Subsidiary with any Environmental Laws either in the conduct of its business or in the current uses and condition of each of the Leased Premises and the Owned Lands;

- (B) Buyer and Buyer Subsidiaries have all Permits required by all Environmental Laws for the conduct of their business as currently conducted (“Environmental Approvals”), which Environmental Approvals are valid and in full force and effect and listed in the Disclosure Schedule. Buyer and Buyer Subsidiaries are in compliance with all those Environmental Approvals, and there have not been and there are no proceedings commenced or threatened to revoke or amend any such Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect;
- (C) Buyer and Buyer Subsidiaries and their respective directors, officers, employees, and agents acting on its behalf have imported, manufactured, processed, distributed, used, treated, stored, disposed of, transported, exported or handled Hazardous Substances in compliance with all Environmental Laws;
- (D) no Hazardous Substances have been disposed of on any of the Leased Premises or the Owned Lands of the Buyer or the Buyer Subsidiaries, and there are no underground storage tanks on the Leased Premises or the Owned Lands of the Buyer or the Buyer Subsidiaries and any underground storage tanks formerly on the Leased Premises or the Owned Lands of the Buyer or the Buyer Subsidiaries have been removed and any affected soil, surface water or ground water has been remediated in compliance with all applicable Laws including Environmental Laws;
- (E) to the Knowledge of the Buyer, no part of the Owned Lands of the Buyer or the Buyer Subsidiaries has ever been used as a landfill or for the disposal of waste;
- (F) there has been no Release of any Hazardous Substance in the course of Buyer’s or any Buyer Subsidiary’s business, from, at, on, or under the Leased Premises or the Owned Lands of the Buyer or the Buyer Subsidiaries or, to the Knowledge of Buyer, or on to any other properties, except in compliance with all Environmental Laws;
- (G) neither Buyer nor any Buyer Subsidiary has received any written notice of any kind of any Release or possible Release of any Hazardous Substance from, at, on, or under any of the Leased Premises or Owned Lands of the Buyer or the Buyer Subsidiaries, or from or on to any other properties;
- (H) to the Knowledge of Buyer, there are no Hazardous Substances on any adjoining properties to any of the Leased Premises or Owned Lands of the Buyer or the Buyer Subsidiaries which may adversely affect the business of Buyer or any Buyer Subsidiary, or any of the Leased Premises or Owned Lands of the Buyer or the Buyer Subsidiaries;

- (I) there has been no Remedial Order issued to Buyer or any Buyer Subsidiary in respect of its business, or with respect to any of the Leased Premises or the Owned Lands of the Buyer or the Buyer Subsidiaries and, to the Knowledge of Buyer, no Remedial Orders are threatened, and there are no facts which could reasonably be expected to give rise to any Remedial Orders;
- (J) neither Buyer nor any Buyer Subsidiary has received any notice of Claim, summons, order, direction or other communication relating to non-compliance with any Environmental Laws from any Governmental Authority or other third party, and to the Knowledge of Buyer, there is no pending or threatened matter, act or fact which could cause Buyer or any Buyer Subsidiary, to conduct its business, or any of the Leased Premises or Owned Lands of the Buyer or the Buyer Subsidiaries to no longer be in compliance with all applicable Environmental Laws; and
- (K) no asbestos, asbestos containing materials, polychlorinated biphenyls (“PCBs”) and PCB wastes are used, stored or otherwise present in or on the Owned Lands of the Buyer or the Buyer Subsidiaries.

(xxxii) **Suppliers.** The Disclosure Schedule lists the 15 largest suppliers of goods and services from whom Buyer or any Buyer Subsidiary has purchased goods or services (other than power) during the fiscal year ended December 31, 2025. None of the suppliers listed in the Disclosure Schedule has advised Buyer or any Buyer Subsidiary, either orally or in writing, that it is terminating or considering terminating its relationship with Buyer or any Buyer Subsidiary, or considering negotiating its relationship with Buyer or any Buyer Subsidiary on terms that would result in a Material Adverse Effect, whether as a result of the completion of the transactions contemplated by this Agreement or otherwise.

(xxxiii) ***Rights to Use Personal Information.***

- (A) All Personal Information in the possession of Buyer or any Buyer Subsidiary has been collected, used and disclosed in compliance with all applicable Privacy Laws in those jurisdictions in which Buyer or any Buyer Subsidiary conducts, or is deemed by operation of law in those jurisdictions to conduct, its business.
- (B) There are no Claims pending or, to the Knowledge of Buyer, threatened, with respect to the collection, use or disclosure of Personal Information by Buyer or any Buyer Subsidiary.

(xxxiv) ***Employees and Employment Contracts.***

- (C) To the Knowledge of Buyer, no Buyer Employee nor any consultant with whom Buyer or any Buyer Subsidiary has contracted, is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement

relating to the right of that individual to be employed, engaged or retained by Buyer or any Buyer Subsidiary in any material respect, and, to the Knowledge of Buyer, the continued employment or engagement by Buyer and Buyer Subsidiaries of the Buyer Employees will not result in any such violation. Neither Buyer nor any Buyer Subsidiary has received any notice alleging that any such violation has occurred.

- (D) Buyer and Buyer Subsidiaries have operated in compliance with all Laws relating to employees in all material respects, including employment standards and all Laws relating in whole or in part to the protection of employee health and safety, human rights, labour relations and pay equity. There have been no Claims within the past three years nor, to the Knowledge of Buyer, are there any threatened complaints, under such Laws against Buyer or any Buyer Subsidiary. To the Knowledge of Buyer, nothing has occurred which might lead to a Claim or complaint against Buyer or any Buyer Subsidiary under any such Laws. There are no outstanding decisions or settlements or pending settlements which place any obligation upon Buyer or any Buyer Subsidiary to do or refrain from doing any act.
- (E) There is no strike or lockout occurring or affecting, or to the Knowledge of Buyer, threatened against Buyer or any Buyer Subsidiary.

**(xxxv) Unions.**

- (A) There are no apparent or, to the Knowledge of Sellers, threatened union organizing activities involving Buyer Employees.
- (B) Neither Buyer nor Buyer Subsidiaries have any labour problems that would reasonably be expected to result in a Material Adverse Effect, or lead to any interruption of operations at any location.
- (C) Neither Buyer nor Buyer Subsidiaries have not engaged in any lay-off or other activities within the last three years in respect of its business that would violate or in any way subject Buyer or any Buyer Subsidiary to the group termination or lay-off requirements of the Laws of any jurisdiction that apply to Buyer or any Buyer Subsidiary.
- (D) Except as disclosed in the Disclosure Schedule, neither Buyer nor any Buyer Subsidiary is bound by or a party to, either directly or by operation of law, any collective bargaining agreement (the "Collective Agreement") with any trade union or association which might qualify as a trade union, and no trade union, association, council of trade unions, employee bargaining agency or affiliated bargaining agent: (I) holds bargaining rights with respect to any of the Buyer Employees by way of certification, interim certification, voluntary recognition, designation or successor rights; (II) has, to the Knowledge of Buyer, applied to be certified or requested to be

voluntarily recognized as the bargaining agent of any of the Buyer Employees; (III) has, to the Knowledge of Buyer, applied to have Buyer or any Buyer Subsidiary declared a related or successor employer under applicable provincial labour or employment Law; or (IV) has, to the Knowledge of Buyer, filed a complaint or charge under applicable provincial labour or employment Law within the last three years.

**(xxxvi) *Employee Benefits Matters.***

- (A) Except as disclosed in the Disclosure Schedule, neither Buyer nor any Buyer Subsidiary are: (I) a party to, bound by or subject to, and do not have any liability or contingent liability relating to, any employment agreement or any other agreement or arrangement relating to Employee Benefits; (II) in arrears in the payment of any contribution or assessment required to be made by it pursuant to any agreements or arrangements relating to Employee Benefits; or (III) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association in respect of Employee Benefits 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 in respect of Employee Benefits.
- (B) All agreements and arrangements relating to Employee Benefits in respect of Buyer Employees (other than OMERS, with respect to which Buyer make no representation under this Subsection) are, and have been, established, registered (where required), and administered without default, in material compliance with (I) the terms thereof; and (II) all applicable Laws; and neither Buyer nor any Buyer Subsidiary has received, in the last three years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor do Buyer have any Knowledge of any such notice from any Person questioning or challenging such compliance beyond the last three years. Except as disclosed in the Disclosure Schedule or the Collective Agreement, there have been no improvements, increases or changes to, or promised improvements, increases or changes to, the benefits provided under any such agreement or arrangement within the last three years, nor does any such agreement or arrangement 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.
- (C) Except as disclosed in Disclosure Schedule, no Buyer Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario).
- (D) Except as disclosed in the Disclosure Schedule, no agreement or arrangement, other than OMERS, provides benefits beyond retirement or other termination of service to Buyer Employees or former Buyer

Employees or to the beneficiaries or dependents of such Buyer Employees or former Buyer Employees. Other than OMERS, no such agreement or arrangement requires or permits a retroactive increase in premiums or payments.

- (E) All assessments under the *Workplace Safety and Insurance Act, 1997* (Ontario) in relation to the business of Buyer or any Buyer Subsidiary have been paid or accrued and Buyer and Buyer Subsidiaries are not subject to any special or penalty assessment under such legislation which has not been paid.

(xxxvii) ***Pension Plans.***

- (A) OMERS is the only pension or retirement plan or arrangement in which Buyer Employees participate and/or to which Buyer or any Buyer Subsidiary contributes as a participating employer.
- (B) All obligations of Buyer and Buyer Subsidiaries to or under OMERS (whether pursuant to the terms thereof or any applicable Laws) have been satisfied, and there are no outstanding defaults or violations thereunder by Buyer or any Buyer Subsidiary or by any predecessor thereof.
- (C) There are no going concerns with respect to unfunded actuarial liabilities, past service unfunded liabilities or solvency deficiencies respecting Buyer's or any Buyer Subsidiary's participation in OMERS.
- (D) All employee data necessary to administer Buyer's or any Buyer Subsidiary's participation in OMERS is in the possession of Buyer and Buyer Subsidiaries and is complete, correct and in a form which is sufficient for the proper administration of Buyer's or the applicable Buyer Subsidiary's participation in OMERS in accordance with the terms thereof and all applicable Laws.
- (E) All employer or employee payments, contributions or premiums required to be remitted or paid by Buyer or any Buyer Subsidiary to or in respect of OMERS have been paid or remitted in a timely fashion in accordance with the terms thereof and all Laws, and no Taxes, penalties or fees are owing or exigible on Buyer or any Buyer Subsidiary under OMERS.

(xxxviii) ***Insurance Policies.*** The Disclosure Schedule lists all Insurance Policies of the Buyer or any Buyer Subsidiary, and also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims with respect to each such Insurance Policy. The Insurance Policies of the Buyer and the Buyer Subsidiaries insure all the property and assets of Buyer and Buyer Subsidiaries against Loss by all insurable hazards of risk commonly insured against in the industry. All Insurance Policies of the Buyer and the Buyer Subsidiaries are in full force and effect and neither Buyer nor any Buyer Subsidiary: (I) is in default, whether as to the payment of premiums or otherwise, under any material term or condition of any of the

Insurance Policies of Buyer or any Buyer Subsidiary; and (B) have not failed to give notice or present any Claim under any of the Insurance Policies of Buyer or any Buyer Subsidiary in a due and timely fashion.

(xxxix) **Litigation.** Except as disclosed or referred to in the Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of Buyer or any Buyer Subsidiary, pending, commenced, or, to the Knowledge of Buyer, threatened, which might reasonably be expected to have a Material Adverse Effect on Buyer or any Buyer Subsidiary or which might involve the possibility of a Lien against the assets of the Buyer or any Buyer Subsidiary. There is no outstanding judgment, decree, order, ruling or injunction involving Buyer or any Buyer Subsidiary or relating in any way to the transactions contemplated by this Agreement.

(xl) **No Expropriation.** No property or asset of Buyer or any Buyer Subsidiary has been taken or expropriated by any Governmental Authority within the last three years, and no notice or proceeding in respect of any such expropriation has been given or commenced or, to the Knowledge of Buyer, is there any intent or proposal to give any notice or commence any proceeding in respect of any such expropriation.

(xli) **Absence of Conflict.** None of the execution and delivery of this Agreement, the performance of Buyer's obligations under this Agreement, or the completion of the transactions contemplated by this Agreement will: (A) result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles or the by-laws of Buyer or any Buyer Subsidiary, or any Contract to which such entity is a party or by which any of such entity's undertakings, property or assets is bound or affected; (B) subject to obtaining the third party consents contemplated by Section 5 (c), constitute an event which would permit any party to any Material Contract with Buyer or any Buyer Subsidiary to terminate or sue for damages with respect to that Material Contract, or to accelerate the maturity of any indebtedness of Buyer or any Buyer Subsidiary, or other obligation of Buyer or any Buyer Subsidiary under that Material Contract; (C) subject to obtaining the regulatory approvals set forth in Section 13, contravene any applicable Law; or (D) contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

(xlii) **Restrictive Covenants.** Neither Buyer nor any Buyer Subsidiary is a party to, or bound or affected by, any Contract containing any covenant expressly limiting its respective ability to compete in any line of business or to transfer or move any of its assets or operations, or which could reasonably be expected to have a Material Adverse Effect on the business carried on by Buyer or any Buyer Subsidiary.

(c) **Representations and Warranties Concerning the Corporation.** Seller represents and warrants to Buyer, as of the date of this Agreement and as of the Effective Time with respect to the Corporation as follows:

(i) **Residence.** The Corporation is not a non-resident of Canada for purposes of the Tax Act.

- (ii) **Regulatory Approvals.** Except as set out in Section 13 and except as has already been obtained, no authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of the Corporation in connection with the execution, delivery and performance by any of them of this Agreement or any other documents and agreements to be delivered under this Agreement or in connection with the completion of the transactions contemplated hereby or thereby.
- (iii) **Competition Act.** The aggregate value of all assets of the Corporation in Canada or the annual gross revenues from sales in and from Canada generated from all assets of the Corporation in Canada do not exceed, in either case, \$93 million, as determined in accordance with the Competition Act.
- (iv) **Consents.** Except as disclosed in the Disclosure Schedule, there is no requirement to obtain any consent, approval or waiver of a party under any Material Contract to which the Corporation is a party in order to complete the transactions contemplated by this Agreement.
- (v) **Capitalization.** The entire authorized capital of the Corporation consists of an unlimited number of Common Voting shares, of which 6,992,565 are issued and outstanding, and an unlimited number of Class A shares, of which none are issued and outstanding. All of the issued and outstanding Shares have been duly authorized, are validly issued, fully paid, and non-assessable, have not been issued in violation of any preemptive or similar rights, and are held of record by the applicable Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, preemptive rights, or other contracts or arrangements that could require the Corporation to issue, sell, or otherwise cause to become outstanding, or purchase, redeem or otherwise acquire, any of its capital. There are no outstanding or authorized equity appreciation, phantom equity, profit participation, or similar rights with respect to the Corporation. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of shares in the capital of the Corporation.
- (vi) **Corporate Existence.** The Corporation has been duly incorporated and organized and is validly existing and in good standing as a corporation under the laws of the Province of Ontario. No proceedings have been taken or authorized by the Corporation in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of such member of the Corporation.
- (vii) **Corporate Articles.** The Corporate Articles constitute all of the charter documents of the Corporation and are in full force and effect; no action has been taken to amend any Corporate Articles and no changes to such Corporate Articles are planned.
- (viii) **Capacity and Powers.** The Corporation has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on its business as currently being conducted.

- (ix) **Jurisdictions.** Ontario is the only jurisdiction in which the Corporation is qualified to do business. Neither the character nor location of the Owned Lands or Leased Premises of the Corporation, nor the nature of the Corporation's business, requires qualification to do business in any other jurisdiction.
- (x) **Options, Etc.** No Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for: (A) the purchase of any Securities of the Corporation; or (B) the purchase of any of the assets of the Corporation other than in the Ordinary Course of Business.
- (xi) **Corporate Records/Directors.** The corporate records and minute books of the Corporation which have been made available contain in all material respects complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of the Corporation, held or passed since incorporation. Except as disclosed in the Disclosure Schedule, all those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of the Corporation are complete and accurate in all material respects.
- (xii) **Financial Statements.** All Financial Statements have been prepared in accordance with IFRS and present fairly and correctly: (A) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of the Corporation as at the respective dates thereof; and (B) the sales, earnings and results of the operations of the Corporation during the periods covered by such Financial Statements; but the unaudited interim financial statements: (X) do not contain all notes required under IFRS; and (Y) are subject to normal year-end audit adjustments.
- (xiii) **Tax Matters.**
  - (A) The Corporation is exempt from Income Tax under the Tax Act, CTA and TA 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, CTA and TA if it were not exempt from Tax under those statutes.
  - (B) Except as disclosed in the Disclosure Schedule, 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 on a timely basis. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. The Corporation has not been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. The Corporation has paid all Taxes and all instalments of Taxes due on or before the date hereof.

- (C) Except as disclosed in the Disclosure Schedule, assessments under the EA have been issued to the Corporation covering all periods up to and including its fiscal year ended December 31, 2024.
- (D) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Seller, threatened against any 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. To the Knowledge of Seller, there is no contingent liability of the Corporation for Taxes or any grounds that could prompt an assessment or reassessment for Taxes. The Corporation has not received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (E) The Corporation has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom the Corporation is was not dealing at arm's length (within the meaning of the Tax Act). The Corporation has not acquired property from any Person in circumstances where the Corporation did or could have become liable for any Taxes payable by that Person.
- (F) The Corporation will not be required to include in a taxable period ending after the Closing Date any material taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to exclude from taxable income in a taxable period ending after the Closing Date any material deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date).
- (G) There are no circumstances existing which could result in, or which have existed and resulted in, the application of section 78 of the Tax Act, as it applies for purposes of the EA, in respect of an amount owing by the Corporation on the Closing Date.
- (H) 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, or the payment of any Taxes by or in respect of the Corporation. The Corporation is not party to any agreements or undertakings with respect to Taxes.
- (I) The Corporation is a registrant for purposes of the ETA and its registration number is 863742599. All input tax credits claimed by the Corporation pursuant to the ETA has been proper, correctly calculated and documented. The Corporation has collected, paid and remitted when due all Taxes, including goods and services tax, harmonized sales tax and retail sales tax, collectible, payable or remittable by it.

- (J) The Corporation has remitted to the appropriate Governmental Authority when required by Law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax imposed under the ETA.
- (K) The Corporation maintains its Books and Records in compliance with section 230 of the Tax Act.
- (xiv) **Litigation.** Except as disclosed or referred to in the Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of the Corporation, pending, commenced, or, to the Knowledge of Seller, threatened, which might reasonably be expected to have a Material Adverse Effect on the Corporation or which might involve the possibility of a Lien against the assets of the Corporation. There is no outstanding judgment, decree, order, ruling or injunction involving the Corporation or relating in any way to the transactions contemplated by this Agreement.
- (xv) **Title to and Condition of Equipment.** As at the Effective Time, the Corporation will own, possess and have good and marketable title to all of the Equipment, free and clear of all Liens other than Permitted Liens.
- (xvi) **Employees and Employment Contracts.**
  - (A) To the Knowledge of Seller, no Employee is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement relating to the right of that individual to be employed, engaged or retained by the Corporation in any material respect, and, to the Knowledge of Seller, the continued employment or engagement by the Corporation of the Employees will not result in any such violation. Seller has not received any notice alleging that any such violation has occurred.
  - (B) Seller has operated in compliance with all Laws relating to Employees in all material respects, including employment standards and all Laws relating in whole or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed or referred to in the Disclosure Schedule, there have been no Claims related to the Employees within the past three years nor, to the Knowledge of Seller, are there any threatened complaints, under such Laws against Seller or the Corporation by the Employees. To the Knowledge of Seller, nothing has occurred which might lead to a Claim or complaint against Seller or the Corporation under any such Laws. There are no outstanding decisions or settlements or pending settlements which place any obligation upon Seller or the Corporation to do or refrain from doing any act.

#### **SECTION 4 PRE-CLOSING COVENANTS.**

The Parties agree as follows with respect to the beginning on the date of this Agreement and ending on the Closing Date:

**(a) Conduct of Business Before Closing.**

During the period beginning on the date of this Agreement and ending at the Effective Time:

- (i) Seller will cause the Corporation:
  - (A) to conduct its business in the Ordinary Course of Business substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement or with the prior written consent of Buyer, which shall not be unreasonably withheld);
  - (B) except with the prior written consent of Buyer (which shall not be unreasonably withheld), to refrain from entering into any Material Contract;
  - (C) to continue in full force the Insurance Policies;
  - (D) to comply in all material respects with all Laws applicable to the Corporation's business; and
  - (E) to apply for, maintain in good standing and renew all Permits.
- (ii) Buyer will, and will cause the Buyer Subsidiaries:
  - (A) to conduct its business in the Ordinary Course of Business substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement or with the prior written consent of Seller, which shall not be unreasonably withheld)
  - (B) to comply in all material respects with all Laws applicable to the business of the Buyer and Buyer Subsidiaries;
  - (C) not amend or approve any amendment to its constating documents or capital structure, issue or sell, authorize for issuance or sale, or grant options, warrants or rights to subscribe for or purchase, any of its shares, or otherwise effect any corporate reorganization;
  - (D) not make any change in respect of any of its shares, declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of its shares, or redeem or otherwise acquire any of its shares; and
  - (E) to comply in all material respects with all Laws applicable to the its business.

**(b) Access for Investigation.**

- (i) Seller will cause the Corporation to permit Buyer through its authorized Representatives, until the Closing Date, to have reasonable access during normal

business hours to the Owned Lands and the Leased Premises and to all the Books and Records of the Corporation and to the properties and assets of the Corporation.

- (ii) Buyer will, and will cause the Buyer Subsidiaries to permit Seller through its authorized Representatives, until the Closing Date, to have reasonable access during normal business hours to the Owned Lands and the Leased Premises and to all the Books and Records of the Buyer and Buyer Subsidiaries and to the properties and assets of the Buyer and Buyer Subsidiaries.
- (iii) Seller will cause the Corporation to co-operate in good faith in arranging any such meetings as Buyer may reasonably request with management of the Corporation.
- (iv) Buyer will, and will cause the Buyer Subsidiaries to co-operate in good faith in arranging any such meetings as Seller may reasonably request with management of the Buyer and Buyer Subsidiaries.
- (v) Each Party will also furnish to the other Party any financial and operating data and other information as the other Party reasonably requests to enable confirmation of the accuracy of the matters represented and warranted in Subsection (d).
- (vi) Each Party will be provided reasonable opportunity to make a full investigation of all aspects of the financial affairs of the Corporation or the Buyer and Buyer Subsidiaries, as applicable.
- (vii) The exercise of any rights of inspection by or on behalf of a Party under this Section shall not mitigate or otherwise affect any of the representations and warranties of the other Party hereunder, which will continue in full force and effect as provided in Section 9(f).

**(c) *Disclosure Supplements.***

During the period beginning on the date of this Agreement and ending at the Effective Time, each Party will promptly notify the other Party with respect to any matter, condition or occurrence arising which, if existing at or occurring before or on the date of this Agreement, would have been required to be set out or described in the Disclosure Schedule. The Parties will use commercially reasonable efforts to resolve any issues arising from any such notification, including if necessary amending this Agreement. Where the Parties fail to resolve any such issues and where the effect of such notification would reasonably be expected to cause a Material Adverse Effect in respect of the Corporation or Buyer, then at the option of any Party, exercisable by written notice to each of the other Parties, this Agreement will terminate and be of no further force and effect with no liability to any of the Parties.

**(d) *Actions to Satisfy Closing Conditions.***

Each Party will take or cause to be taken all actions that are within its power to control, and will make all commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure its compliance with, and satisfaction of, all conditions in this Agreement that are for the benefit of the other Parties.

**SECTION 5 CONDITIONS FOR THE BENEFIT OF BUYER.**

The obligation of Buyer to complete the Closing is subject to the fulfilment of the following conditions at or before the Effective Time:

**(a) Representations, Warranties and Covenants.**

The representations and warranties of Seller made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Effective Time with the same force and effect as though those representations and warranties had been made as of the Effective Time. At Closing, Seller will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Effective Time. In addition, Seller will have delivered to Buyer a certificate of a senior officer confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Seller contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Section 9(f), or, if Section 9(f) does not apply, the terms of the agreement or document in which they are made.

**(b) No Material Adverse Effect.**

Since the date of this Agreement there will not have been any change in any of the assets, financial condition, earnings, results of operations or prospects of the Corporation that has had, or might reasonably be expected to have, a Material Adverse Effect.

**(c) Consents and Regulatory Approvals.**

All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Leased Premises of the Corporation, will have been made, given or obtained on terms acceptable to Buyer, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, Real Property Lease, or Material Contract of or affecting the Corporation's business, including the OEB Approval.

**(d) Assignment of Water Billing Agreement.**

The assignment to Buyer of the Water Billing Agreement, on terms satisfactory to Buyer, acting reasonably.

**(e) Waiver or Termination by Buyer.**

The conditions contained in Section 5 are inserted for the exclusive benefit of Buyer and may be waived in whole or in part by it at any time without prejudice to any of their rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5 are not fulfilled or complied with by the time that is required under this

Agreement, Buyer may, at or before the Effective Time, terminate this Agreement by notice in writing after that time to Seller. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 9).

***SECTION 6 CONDITIONS FOR THE BENEFIT OF SELLER.***

The obligation of each Seller to complete the Closing and the other transactions contemplated by this Agreement is subject to the fulfilment of the following conditions at or before the Effective Time:

***(a) Representations, Warranties and Covenants.***

The representations and warranties of Buyer made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Effective Time with the same force and effect as though those representations and warranties had been made as of the Effective Time. At Closing, Buyer will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Effective Time. In addition, Buyer will have delivered to Seller a certificate of a senior officer of Buyer confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Buyer contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Section 9(f) or, if Section 9(f) does not apply, the terms of the agreement or document in which they are made.

***(b) Consents and Regulatory Approvals.***

All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Leased Premises of Buyer or any Buyer Subsidiary, will have been made, given or obtained on terms acceptable to Seller, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, Real Property Lease, or Material Contract of or affecting the Buyer or any Buyer Subsidiary's business, including the OEB Approval.

***(c) No Material Adverse Effect.***

Since the date of this Agreement there will not have been any change in any of the assets, financial condition, earnings, results of operations or prospects of the Buyer or any Buyer Subsidiary that has had, or might reasonably be expected to have, a Material Adverse Effect.

***(d) Issuance of Promissory Note or Special Shares.***

- (i)*** Prior to the Closing Date, the Seller shall use commercially reasonable efforts to apply for and obtain from the appropriate Governmental Authority an exemption to O. Reg. 438/97: Eligible Investments, Related Financial Agreements and Prudent Investment, made under the *Municipal Act, 2001* (Ontario) to invest in the debt of

the Buyer and receive a promissory note (the "Promissory Note") in the form set out in Exhibit C. In the event that the exemption is obtained, the Buyer shall issue the Promissory Note to the Seller on the Closing Date in the amount of \$2,524,038.00 pursuant to which the Buyer and its successors will pay Seller interest quarterly at an annual interest rate of 7.25%, subject to the terms therein and shall continue to be bound by and make payments to Seller pursuant to the Promissory Note following the Closing Date.

- (ii) In the event that the exemption contemplated by Subsection (i) is not obtained prior to the Closing Date, or the Parties otherwise mutually determine not to seek the exemption and issue the Promissory Note, then the Buyer shall amend its corporate articles prior to the Closing Date to create a separate class of non-voting, non-participating preferred shares (the "Special Shares") with special rights, privileges, restrictions, and conditions that are reasonably acceptable to the Seller. On the Closing Date, the Buyer shall issue to the Seller the number of Special Shares that result in a cumulative redemption value of \$2,524,038.00 for such Special Shares and the payment of quarterly dividends to the Seller in an amount equivalent to the interest that would have been paid to the Seller under the Promissory Note.

***(e) Waiver or Termination by Seller.***

The conditions contained in Section 6 are inserted for the exclusive benefit of Seller and may be waived in whole or in part by Seller (acting collectively) at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 6 are not fulfilled or complied with by the time that is required under this Agreement, Seller (acting collectively) may, at or before the Effective Time, terminate this Agreement by notice in writing after that time to Buyer. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 9).

***SECTION 7 CONDITIONS PRECEDENT.***

The Closing is subject to the following condition to be fulfilled at or before the Effective Time, which condition is a true condition precedent to the completion of the transactions contemplated by this Agreement:

***(a) No Action to Restrain.***

No order of any Governmental Authority will be in force, and no action or proceeding will be pending or threatened by any Person: (I) to restrain or prohibit the completion of the transactions contemplated in this Agreement, including the Closing; (II) to restrain or prohibit the carrying on of the Corporation's business or the Buyer's business, as applicable; or (III) which would have a Material Adverse Effect on the Corporation or the Buyer or any Buyer Subsidiary, as applicable. If this condition precedent has not been fulfilled at or before the Effective Time, unless otherwise agreed by the Parties in writing, this Agreement will be terminated and the Parties will be released from all obligations under this Agreement (except as set out in Section 9).

### **SECTION 8 TRANSITION SUPPORT**

In the event that the Closing does not occur, Buyer shall provide commercially reasonable transition support to Seller pursuant to the terms and conditions of the Management Contract.

### **SECTION 9 POST-CLOSING COVENANTS.**

The Parties agree as follows with respect to the period at and after the Closing:

(a) **Further Assurances.** On and after the Closing Date, Seller and Buyer shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other action as may be reasonably necessary or advisable to consummate the transactions contemplated by this Agreement. Seller acknowledges and agrees that from and after the Closing, Buyer will be entitled to possession of all documents, books, records, agreements, and financial data relating to the Corporation.

(b) **Confidentiality.**

- (i) The Parties shall treat as confidential this Agreement, the terms and conditions set out herein and all information provided to one another in accordance with this Agreement. All such information shall be deemed received pursuant to the terms of the confidentiality agreement between Seller and Buyer dated as of July 24, 2024 (the "Confidentiality Agreement"), be kept in the strictest confidence and not divulged to any unrelated third party or used by any Party other than in accordance with the Confidentiality Agreement.
- (ii) Notwithstanding any other provision of this Agreement, nothing shall prevent the disclosure of any agreement or information, and no Party shall be held liable for the disclosure of any agreement or information, if and to the extent that any such disclosure is required by applicable Law, including the *Municipal Act, 2001* (Ontario) and the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario).

(c) **Director and Officer Liability and Indemnification.**

- (i) For a period of six (6) years after the Closing, Buyer shall not retroactively amend, repeal or modify any provision in the Corporation's by-laws relating to the exculpation, indemnification or advancement of expenses, by the Corporation, of any officers and directors in their role as a director and officer of the Corporation (each, an "D&O Indemnified Person"), it being the intent of the Parties that the pre-Closing officers and directors of the Corporation shall continue to be entitled to such exculpation, indemnification and advancement of expenses by the Corporation relating to their role as a director and officer of the Corporation, to the full extent of the Law.
- (ii) The obligations under this Section 8(c) will not be terminated or modified in such a manner as to adversely affect any D&O Indemnified Person to whom this Section 8(c) applies without the consent of such D&O Indemnified Person (it being

expressly agreed that the D&O Indemnified Persons to whom this Section 8(c) applies will be third-party beneficiaries of this Section 8(c) and will be entitled to enforce the covenants contained herein).

**(d) Preservation of Books and Records.**

Buyer shall, and shall cause the Corporation to, preserve and keep the records held by them relating to the businesses of the Corporation for a period of seven (7) years from the Closing Date (or longer if required by applicable Law) and shall make such records and personnel available to Seller (including the right to make copies thereof), as may be reasonably required by Seller in connection with (i) any insurance claims by Seller, (ii) any action, application, arbitration, audit, claim, complaint, charge, demand, dispute, examination, inquiry, investigation, hearing, lawsuit, litigation or arbitration (in each case, whether civil, criminal, judicial or administrative, and whether public or private) pending by or before any Governmental Authority or arbitrator (including with respect to the enforcement of this Agreement), or (iii) Tax audits against or investigations by any Governmental Authority of Seller or any of their Affiliates with respect to their ownership of the Corporation or the transactions contemplated by this Agreement.

**(e) Additional Covenants.**

Buyer shall, and, as appropriate, shall cause the Corporation to:

- (i) *Local Presence* – Buyer shall maintain a local presence in The Town of Tillsonburg as follows: (i) Buyer will cause the Corporation to assume the existing lease commitment for its operation centre at 43 John Pound Road, Tillsonburg, ON; (ii) Buyer will display and maintain signage at Seller’s customer service centre located at 10 Lisgar Avenue, Tillsonburg, Ontario that is substantially similar to the signage displayed at the customer service centre by the Corporation immediately prior to Closing; and (iii) consistent with Buyer LDC’s collective agreement, Employees who are on call and live in or within close proximity to the Town of Tillsonburg shall be permitted to take Buyer-owned work vehicles home pursuant to the terms of Buyer LDC’s collective agreement, to allow such Employees to respond promptly to outages and other emergency situations without the need to return to a Buyer operations centre.
- (ii) *Protection of Employees* – The Buyer shall cause the Corporation to employ the Employees on substantially the same terms and conditions for a minimum duration of three (3) years following the Closing Date. Buyer further acknowledges that Buyer will be responsible for any liability or consequences in the event that the Corporation terminates any Employees or changes the terms of employment for such Employees after Closing and, subject to the Seller’s negligence or willful misconduct related to the treatment of the Employees before Closing, Buyer will indemnify the Seller and hold it harmless from such liability or consequences. Employees that are subject to collective bargaining agreement(s) with a union (“Unionized Employees”) will continue to be subject to the terms of such existing collective agreements, provided that upon the amalgamation of Buyer and the Corporation as contemplated in Section 9 (e)(ix) seniority of the Unionized

Employees shall be respected in relation to the Buyer's unionized employees and all seniority and service credits will be maintained.

- (iii) *Customer Service Agreement* – Seller shall retain its customer service employees and Buyer shall continue to fund a portion of the customer service employees to assist with the Corporation's customer service obligations following Closing at the current annual contract rate, plus annual cost of living increases and any market/equity pay adjustments, as determined by Seller, acting reasonably. The Parties acknowledge that the annual contract rate for the 2025 fiscal year was \$135,345. The Parties agree to execute the Customer Services Agreement on or before the Closing Date to reflect the requirements in this Section.
- (iv) *Local Governance* – Upon Closing:
  - (A) *Right to appoint one director to the board of directors of Buyer (“Buyer Board”)* – As a holder of a Voting Share, Seller shall have the right to appoint one director to the Buyer Board pursuant to the terms of the Shareholder Agreement.
  - (B) *Right to appoint one director to the board of directors of the Buyer LDC (“LDC Board”)* – Subject to the terms of the Community Involvement Agreement, Seller shall have the right to appoint one independent director to the LDC Board and, for greater clarity, following amalgamation of the Corporation and Buyer LDC as contemplated in Section 9 (e)(ix), to the board of directors of such amalgamated corporation, until such time that Seller divests of its Consideration Shares.
  - (C) *Right to appoint one transitional director to the LDC Board* – As a transitional measure and subject to the terms of the Community Involvement Agreement, Seller shall have the right to appoint an additional director to the LDC Board for a period of three (3) years following the Closing Date.
- (v) *Service Quality Guarantees* – Buyer shall monitor and meet all of the OEB's Service Quality Indicators such that the Corporation and its successor (following any amalgamation) remain responsive and the communities served by the Corporation and any successor are not negatively affected by the transactions contemplated by this Agreement. Without limiting the foregoing, the Buyer shall use commercially reasonable efforts to cause the Corporation and any successor entity to exceed average service quality standards within the industry.
- (vi) *Capital Investment Guarantees* – Buyer shall continue to invest in electricity infrastructure in the Service Territory as per the Corporation's approved Distribution System Plan (Asset Management Plan) in place as of the Closing, noting the need for future capacity in the area. Buyer will continue to use its best efforts to work with the Independent Electricity System Operation (“IESO”), the provincial transmitter, the appropriate Governmental Authorities, and all other

relevant parties to ensure that there is sufficient electricity capacity in the Service Territory necessary to support local growth and development. Seller acknowledges and agrees, however, that (i) ensuring sufficient electricity capacity in the Service Territory is a multi-layered planning and procurement process involving the province, the grid operator, transmitters, generators, and other parties, and, accordingly (ii) ensuring sufficient capacity in the Service Territory is subject to many factors outside of the control of Buyer of the Corporation (e.g. the IESO's system-wide and regional planning processes, the generation procurement and connection process, etc.).

- (vii) *Rate Guarantees* – Subject to the remainder of this Section 9(e)(vii), Buyer shall ensure that there is no increase in electricity distribution rates for the Corporation's customers or, following any amalgamation of the Corporation, distribution customers within the Service Territory, for a minimum period of eight (8) years from the Closing Date. To implement the foregoing, Buyer shall (a) keep the Service Territory as a separate regulated distribution rate zone with rate increases limited solely to formulaic incentive rate mechanism inflationary increases if a new transmission station is not required before 2033 to meet capacity needs in the Service Territory and (b) not file a cost-of-service application to the OEB to rebase and harmonize rates between the Service Territory and Buyer's licensed distribution service territories to a single rate zone for a minimum period of eight (8) years and a maximum period of ten (10) years. If a new transmission station is required to meet capacity needs in the Service Territory before 2033, the associated costs would be funded by the rate zones for both Buyer LDC and the Corporation, which will result in increases to the Corporation's distribution rates that are greater than formulaic incentive rate mechanism inflationary increases.
- (viii) *Community Contributions* – Subject to the terms of the Community Involvement Agreement, Buyer shall, and shall ensure that the Corporation continues to, provide Seller with in-kind and other community support following the Closing, including Christmas decorations and banner installations, donations, and sponsorships, historically provided by the Corporation.
- (ix) *Amalgamation of the Buyer and the Corporation* – Subject to Section 9 (e)(ix), Buyer shall preserve the existence of the Corporation as a separate corporate entity and licensed electricity distributor until December 31, 2028, after which time the Corporation may be amalgamated with Buyer LDC, subject to applicable Laws, including OEB approval.

#### **SECTION 10 INDEMNIFICATION.**

(a) *Indemnification of Buyer.* Subject to the other provisions of this Section 10, from and after the Closing, Seller shall be responsible for, shall pay or cause to be paid, and shall indemnify, defend and hold harmless Buyer, its Affiliates and its and their respective officers, directors, employees, representatives, and agents (collectively, the "Buyer Indemnified Parties") from and against any Losses resulting from, arising out of, relating to, in the nature of, or caused by: (i) any breach or inaccuracy of any representation or warranty made by Seller

in this Agreement; (ii) any breach or non-fulfillment of, or non-compliance with, any covenant or agreement made by Seller in this Agreement; (iii) any Debt of the Corporation as of the Effective Time, to the extent not already included in the Closing Date Financial Statements or incurred in the Ordinary Course of Business in the 2026 fiscal year; and (iv) all Seller Indemnified Taxes, except to the extent that such Seller Indemnified Taxes have already been included in the Closing Date Financial Statements or incurred in the Ordinary Course of Business in 2026.

**(b) Indemnification of Seller.** Subject to the other provisions of this Section 10, from and after the Closing, Buyer shall be responsible for, shall pay or cause to be paid, and shall indemnify, defend and hold harmless Seller, its respective Affiliates and its and their respective officers, directors, employees, representatives, and agents (collectively, the “Seller Indemnified Parties”) from and against any Losses resulting from, arising out of, relating to, in the nature of, or caused by: (i) any breach or inaccuracy of any representation or warranty made by Buyer in this Agreement; and (ii) any breach or non-fulfillment of, or non-compliance with, any covenant or agreement made by Buyer in this Agreement.

**(c) Indemnification Procedures.**

- (i) In the event any Person shall incur or suffer any Losses in respect of which indemnification may be sought hereunder, other than those relating to Tax Contests (which are the subject of Section 11 (g)), such Person (the “Indemnified Party”) may assert a claim for indemnification by written notice to the Party from whom indemnification is being sought (the “Indemnifying Party”), stating the amount of Losses, if known, and the nature and basis of such claim. If any third party notifies an Indemnified Party with respect to any matter of Losses (a “Third-Party Claim”) that may give rise to a claim for indemnification against an Indemnifying Party under this Section 10, then the Indemnified Party shall promptly notify each Indemnifying Party of such claim in writing, the amount or the estimated amount of damages sought thereunder to the extent then ascertainable, any other remedy sought thereunder, any relevant time constraints relating thereto, a reasonably detailed explanation of the events giving rise to such claim and any other material details pertaining thereto; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby prejudiced. The Indemnified Party shall provide to the Indemnifying Party, upon delivery of the written notice to the Indemnifying Party in accordance with this Section 10 (c)(i), and promptly upon request by the Indemnifying Party, all information and documentation reasonably necessary to support and verify any Losses which the Indemnified Party believes gives rise to a claim for indemnification hereunder and shall give the Indemnifying Party reasonable access to all premises, books, records and personnel in the possession or under the control of the Indemnified Party which would have bearing on such claim.
- (ii) Any Indemnifying Party will have the right to assume the defense of the Third-Party Claim, unless (1) such Indemnifying Party is also a party to the Third-Party

Claim and such Third-Party Claim is one in which the Indemnified Party has been advised by outside counsel that (I) a reasonable likelihood exists of a material conflict of interest between the Indemnifying Party and the Indemnified Party, or (II) there are legal defenses available to the Indemnified Party that are different from or additional to those available to the Indemnifying Party; (2) the Third-Party Claim seeks relief against the Indemnified Party other than monetary damages; or (3) the Third-Party Claim involves criminal liability (provided that in circumstances (1) to (3), the Indemnifying Party may still participate in such Third-Party Claim at its own expense), by providing notice to the Indemnified Party no later than thirty (30) days after the Indemnified Party has given notice of the Third-Party Claim to the Indemnifying Party. In the event that the Indemnifying Party notifies the Indemnified Party that it elects to defend the Indemnified Party against a Third-Party Claim, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings at its expense. The Indemnified Party shall have the right to participate in any defense by the Indemnifying Party and to employ separate counsel of its choosing at such Indemnified Party's expense. Notwithstanding anything to the contrary in this Section 10, the Indemnified Party (and not the Indemnifying Party) will have the right to conduct and control the defense of the Third-Party Claim with counsel of its choice (the cost of which (including reasonable and documented legal fees) will be an indemnifiable Loss if the Losses in the Third-Party Claim are finally determined to be the responsibility of the Indemnifying Party) if (A) such Third-Party Claim seeks (x) the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or, where a Buyer Indemnified Party is the Indemnified Party, the Corporation, or (y) a finding or admission of a violation of law by the Indemnified Party or, where a Buyer Indemnified Party is the Indemnified Party, the Corporation, that would have an adverse effect on the Indemnified Party or the Corporation, (B) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party, the Corporation, or the Indemnifying Party, (C) the amount in dispute for which an Indemnifying Party would reasonably be expected to be liable pursuant to this Section 10 exceeds the maximum amount for which an Indemnifying Party may be held liable pursuant to this Section 10, or (D) the Indemnifying Party does not, upon reasonable requests from the Indemnified Party, confirm in writing that the Indemnifying Party would be obligated to indemnify the Indemnified Party pursuant to the provisions of this Section 10 from such Third-Party Claim (provided that such confirmation shall not constitute an admission of liability to any third party on the part of the Indemnifying Party with respect to such Third-Party Claim). The Party not controlling the Third-Party Claim shall furnish the Party controlling the Third-Party Claim (the "Controlling Party") with such information as it may have with respect to such Third-Party Claim and shall otherwise cooperate with and assist the Controlling Party in defense of such Third-Party Claim. The Controlling Party shall keep the Party not controlling the Third-Party Claim fully apprised as to the status of such Third-Party Claim and the actions taken by the Controlling Party in relation thereto and shall respond to all reasonable

enquiries of the Party not controlling the Third-Party Claim in respect of such Third-Party Claim.

- (iii) The Indemnifying Party will lose its right to defend the Third-Party Claim if within thirty (30) days after receipt of written notice of the Third-Party Claim from the Indemnified Party (or sooner if the nature of the Third-Party Claim so requires), it elects not to (or fails to elect to) defend the Third-Party Claim or it thereafter fails or ceases to defend the Third-Party Claim diligently and in good faith after a reasonable period of time after the Indemnified Party has provided written notice to the Indemnifying Party that it is not diligently and in good faith defending such Third-Party Claim and, in any such event, the Indemnified Party will have the right to conduct and control the defense of the Third-Party Claim with counsel of its choice (the cost of which (including reasonable and documented legal fees) will be an indemnifiable Loss if the Losses in the Third-Party Claim are finally determined to be the responsibility of the Indemnifying Party). Whether or not the Indemnifying Party assumes the defense of a Third-Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent. If the Indemnifying Party assumes the defense of a Third-Party Claim and is in good faith contesting such Third-Party Claim, the Indemnified Party shall agree to any settlement, compromise or discharge of a Third-Party Claim that the Indemnifying Party may reasonably recommend and that by its terms (A) obligates the Indemnifying Party to pay the full amount of Losses in connection with such Third-Party Claim, and (B) releases the Indemnified Party in connection with such Third-Party Claim; provided, however, that an Indemnified Party shall not be required to agree to any settlement, compromise or discharge of a Third-Party Claim that involves the imposition of equitable remedies or other material obligations on such Indemnified Party or would otherwise adversely affect such Indemnified Party (including any settlement or compromise that includes any admission of wrongdoing on the part of the Indemnified Party).
- (iv) Amounts finally determined to be payable by an Indemnifying Party to an Indemnified Party in respect of any Losses for which such Person is entitled to indemnification hereunder (including, without limitation, legal fees or other costs of defending any action) shall be payable by the Indemnifying Party as incurred by the Indemnified Party.

**(d) *Monetary Limitation.***

Seller shall not be obligated to indemnify, defend, release and hold harmless any Buyer Indemnified Party for any Losses pursuant to Section 10 (a)(i), unless and until the aggregate Losses for which the Buyer Indemnified Parties would otherwise be entitled to indemnification under this Section 10 exceed \$250,000 (the "Deductible") (or in the event of Losses that are not liquidated in amount at the time such Buyer Indemnified Party asserts a claim for indemnification or defense, it is reasonable to believe that such Losses could have a monetary consequence greater than the Deductible), at which point such Buyer Indemnified Party shall become entitled to be

indemnified only for such Losses in excess of the Deductible, subject to the remaining limitations of liability in this Section 10.

- (i) The Buyer Indemnified Parties' right to indemnification pursuant to Section 10 (a) or Section 10 (b) shall be limited to and shall not exceed 10% of the Purchase Price actually paid by Buyer (the "Cap").
- (ii) Notwithstanding anything to the contrary in this Agreement, neither the Deductible nor the Cap shall apply to claims by Buyer for indemnification arising out of or related to: (A) a breach by the Seller of any of the representations or warranties contained in Section 3 (a) or Section 3 (c)(i) to (viii), inclusive (collectively, all of the foregoing representations and warranties are referred to herein as the "Fundamental Representations"), (B) Fraud, or (C) any intentional or willful misrepresentation of a material fact contained in the this Agreement or the exhibits or schedules hereto.
- (iii) Notwithstanding anything to the contrary in this Agreement, Seller shall not have any liability under this Agreement with respect to any Taxes (or any Losses with respect to such Taxes): (A) resulting from any transaction taken outside of the Ordinary Course of Business at the direction of Buyer or any of its Affiliates on the Closing Date or after the Closing not specifically contemplated by this Agreement; (B) with respect to any taxable period (or portion thereof) beginning after the Closing Date, or (C) resulting from any breach or non-performance by Buyer or any of its Affiliates (including, following the Closing Date, the Corporation) of any covenant or agreement contained in this Agreement relating to Tax matters.

**(e) *Survival Following Termination.***

If this Agreement is terminated at or before the Effective Time pursuant to Section 4(c), Section 5(d), Section 6 (e) or Section 7 , the provisions of Section 9 (b) will remain in full force and effect.

**(f) *Time Limitation.*** Except in the case of Fraud or any intentional or willful misrepresentation of a material fact contained in the this Agreement or the exhibits or schedules hereto, all representations and warranties contained in this Agreement shall survive the execution and delivery hereof and the Closing, and survive hereafter for the twenty-four (24) month period commencing on the Closing Date; provided, however, that (i) the Fundamental Representations shall survive for six (6) years commencing on the Closing Date, and (ii) the representations and warranties contained in Section 3 (c)(xiii) shall survive until sixty (60) days after the expiration of the statutory limitation period applicable to the underlying subject matter of each such representation and warranty, determined without reference to any applicable waivers or extensions sought or provided by Buyer or the Seller. All of the covenants in this Agreement that by their nature are required to be performed after Closing shall survive the Closing until fully performed or fulfilled. Notwithstanding the two preceding sentences, any specific claim for breach of a representation or warranty or covenant in respect of which indemnity may be sought under this Agreement shall survive the applicable survival period until final resolution of such claim, if notice of such claim shall have been validly delivered to

the Party against whom indemnity may be sought prior to expiration of the applicable survival period.

**(g) Other Limitations.**

Notwithstanding anything herein contained, but subject to the liquidated damages provided for under Section 10 (l):

- (i) Neither Party shall have Liability for, or obligation with respect to, any special, indirect, consequential, punitive or aggravated Losses unless such punitive Losses have been awarded to a third Person in a Third-Party Claim by a court of competent jurisdiction.
- (ii) No Indemnifying Party shall be required to indemnify, defend or hold harmless any Indemnified Party against or reimburse any Indemnified Party for any Losses to the extent such Indemnified Party has been indemnified or reimbursed for the same Losses under any other provision of this Agreement. Without limiting the generality of the foregoing, no Indemnified Party shall be entitled to indemnification for any Losses to the extent it would result in a double recovery to such Indemnified Party: (A) because such Losses were satisfied pursuant to Section 11 ; or (B) because such Losses were otherwise forming an adjustment to the Purchase Price under this Agreement.
- (iii) Seller shall have no Liability for any Losses to the extent that such Losses would not have arisen but for any change in the accounting policies, practices or procedures adopted by Buyer, other than those that are required by a Governmental Authority or required by Law and in circumstances where Seller or its Affiliates' prior breach of this Agreement is related to such change so undertaken.
- (iv) Seller shall not be liable for any Losses for Tax if and to the extent it is attributable to, or the amount of the Losses is increased as a result of, any change of Law that came into force after the Closing Date.
- (v) The amount of any Losses for which indemnification is provided under this Section 10 will be adjusted to take account of any net Tax benefit realized or realizable by the Buyer Indemnified Parties arising from the occurrence of any Losses to the extent necessary to ensure that the Buyer Indemnified Parties receive a net amount which, taking into account any such net Tax benefit, is sufficient to fully compensate for the Losses, but results in no net gain to the Buyer Indemnified Parties.

**(h) Knowledge.** Seller's obligations contained in this Section 10 shall not apply if and to the extent Buyer has been advised in writing or otherwise has actual knowledge prior to the time of Closing, of the inaccuracy, non-performance, non-fulfillment or breach of a representation or warranty made by Seller contained in this Agreement or contained in any document or certificate given in order to carry out the transactions contemplated hereby and the Buyer completes the transactions contemplated hereby notwithstanding such inaccuracy, non-performance, non-fulfillment or breach.

**(i) Duty to Mitigate.**

Nothing in this Agreement in any way restricts or limits the general obligation at Law of an Indemnified Party to mitigate any Losses which it may suffer or incur by reason of the breach by an Indemnifying Party of any representation, warranty, covenant or obligation of the Indemnifying Party under this Agreement. If any claim 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, the Indemnified Party shall take all reasonable steps to enforce such recovery, settlement or payment and the amount of any Losses of the Indemnified Party will be reduced by the amount of proceeds actually recovered by the Indemnified Party. If an Indemnified Party receives an amount under such insurance coverage or pursuant to any claim, recovery, settlement or payment by or against any other Person, at any time subsequent to any indemnification payment made by an Indemnifying Party, then such Indemnified Party shall promptly pay over to the Indemnifying Party an amount equal to the lesser of (A) the amount of such indemnification payment, or (B) the net amount of such recovery.

**(j) Exclusive Remedies.**

The Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Agreement, any documents or instruments executed or delivered herewith, or the consummation of transactions contemplated hereby and thereby, shall be under the indemnification provisions set forth in this Section 10 other than, in each case, claims based on Fraud, intentional misrepresentation or willful misconduct. The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement may give rise to irreparable injury to a Party inadequately compensable in damages. Accordingly, notwithstanding any of the foregoing, nothing in this Section 10 (j) shall limit any Party from seeking specific performance, injunctive or equitable relief in accordance with the terms of this Agreement for any breach or threatened breach of any covenant, agreement or obligation of this Agreement.

**(k) Indemnification Payments by Seller.**

Buyer acknowledges and agrees that any indemnification payment required to be made by Seller pursuant to this Section 10 shall only be payable by Seller to Buyer notwithstanding the applicable Buyer Indemnified Parties entitled to indemnification in connection with such indemnification payment.

**(l) Liquidated Damages.**

Notwithstanding any other provisions hereof, for each and every discreet breach or non-fulfillment of, or non-compliance by the Buyer with, any covenant or agreement under Section 9 (e) hereof, the Buyer shall be liable to and pay to the Sellers, as liquidated damages, the amount of \$100,000 per occurrence. The Parties acknowledge and agree that actual damages for any such breach, non-fulfillment or non-compliance are difficult to determine and that the liquidated damages set forth herein are reasonable and appropriate measures of the damages therefor and do not represent a penalty. Any amount of such liquidated damages for which Buyer shall be liable, or have paid to the Seller, shall be excluded from and shall not count toward any monetary limitations, deductibles

or caps hereunder, including those contained in Section 10 (d), (g) and (i), and the Seller shall not be subject to any duty to mitigate in respect thereof.

***SECTION 11 TAX MATTERS.***

The following provisions shall govern the allocation of responsibility as between Buyer and Seller for certain Tax matters following the Closing Date

***(a) Straddle Period.*** In the case of any taxable period (a "Straddle Period") that includes but does not end on the date on which the Effective Time occurs (the "Effective Date"), the amount of any Taxes for such period shall be allocated between: (i) the period ending on the Effective Date; and (ii) the period beginning after the Effective Date, and such allocation shall be determined based on an interim closing of the books of the Corporation or Buyer, applicable, as of the Effective Time, and for such purpose, the taxable period of any partnership or other pass-through entity in which the Corporation or Buyer, as applicable, holds a beneficial interest shall be deemed to terminate at such time; provided, however, that in the case of any Straddle Period Taxes (other than excise Taxes and Taxes based upon or related to income or receipts) that are imposed on a periodic basis, the portion of such Tax that relates to the portion of such Straddle Period ending on the Effective Date shall be deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on the Effective Date, and the denominator of which is the number of days in the entire Straddle Period.

***(b) Responsibility for Filing Tax Returns.*** Seller shall prepare or cause to be prepared (and Buyer shall file or cause to be filed) all Income Tax Returns for the Corporation that are required to be filed after the Closing Date with respect to any Tax period ending on or before the Effective Date, and Seller shall be designated by the Corporation as an authorized person for the sole purpose of preparing, executing and filing the Income Tax Returns described in this sentence. All such Income Tax Returns shall be prepared in a manner reasonably consistent with past practices except to the extent otherwise required by Law. Seller shall, no less than thirty (30) days prior to the filing deadline for any such Income Tax Returns, (i) deliver the same to Buyer along with supporting work papers, (ii) permit Buyer to review and comment on each such Income Tax Return within the twenty (20) day period after receipt of the same, and (iii) consider making such revisions to such Income Tax Returns as are reasonably requested by Buyer. Seller shall work with Buyer in good faith to resolve any disagreements regarding such Income Tax Returns prior to the date on which such Income Tax Returns are required to be filed. Buyer shall prepare or cause to be prepared and shall file or cause to be filed all other Tax Returns that the Corporation is required to file after the Effective Date, including with respect to any Straddle Period (each, a "Buyer-Prepared Tax Return"). Buyer shall, no less than thirty (30) days prior to filing any such Buyer-Prepared Tax Returns for a Straddle Period, (i) deliver the same to Seller, (ii) permit Seller to review and comment within the twenty (20) day period after receipt of the same, on each such Buyer-Prepared Tax Return, and (iii) consider making such revisions to such Buyer-Prepared Tax Returns as are reasonably requested by Seller.

***(c) Refunds and Tax Benefits.*** Any Tax refunds that are received by Buyer or the Corporation, and any amounts credited against Tax to which Buyer or the Corporation become

entitled that relate to Tax periods or portions thereof ending on or before the Effective Date shall be for the account of Seller, excluding any refund or credit attributable to any loss in a tax year or portion of a Straddle Period beginning after the Effective Date that is applied to income in a tax year or portion of a Straddle Period ending on or before the Effective Date (e.g., as a carry back). Buyer shall pay to Seller any such refund or amount of any such credit (net of any Taxes of Buyer or the Corporation attributable to such refund or credit) within fifteen (15) days after receipt or entitlement thereto. Notwithstanding the immediately preceding sentence, Buyer shall not be required to pay to Seller any such refund or the amount of any such credit up to the amount of any Tax asset set forth on the face of the Closing Date Financial Statements. Any payment made by Buyer to Seller under this Section 11 (c) shall be treated as an increase to the Purchase Price. The Buyer shall, at the Seller's request, and at the sole cost and expense of the Seller, use commercially reasonable efforts to cause the Corporation to obtain and collect any Tax refunds which may be available to any of them, including replying to any requests for further information from, and delivering any written submissions with respect to such Tax refund to, any Governmental Authority, and shall keep the Seller reasonably apprised of the status of any such Tax refunds, including informing the Seller of any requests from, or deadlines set by, any Governmental Authority in connection with such Tax refund.

Buyer and Seller shall cooperate, as and to the extent reasonably requested by the other such Party, in connection with the filing of Tax Returns pursuant to this Section 11 , and any audit, litigation or other proceeding with respect to Taxes. With respect to Tax periods or portions thereof ending on or before the Effective Date, Seller and Buyer will provide each other with such cooperation and information as either may reasonably request in filing any Tax Return, amended Tax Return or claim for refund, determining a liability for Taxes or a right to a refund of Taxes, participating in or conducting any audit or other proceeding in respect of Taxes. Such cooperation shall also include (i) the retention and, upon any Party's request, the provision of records and information that are reasonably relevant any such matter, and (ii) making employees available on a mutually convenient basis to provide additional information and any explanation of any material provided hereunder. The Parties hereto agree (i) to retain all books and records with respect to Tax matters pertinent to the Corporation relating to any Tax period beginning before the Closing Date until one hundred eighty (180) days after the expiration of the statutory limitation period, and to the extent notified by any Party, any extensions thereof, for the respective Tax periods, (ii) to abide by all record retention agreements entered into with any Tax authority, and (iii) to give all other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and if any Party so requests, allow such other party to take possession of such books and records. The Parties hereto further agree upon request to use their reasonable commercial efforts to obtain any certificate or other document from any Governmental Authority or any other person that may be necessary to mitigate, reduce or eliminate any Tax that could be imposed, including but not limited to, with respect to the transactions contemplated hereby.

**(e) Certain Taxes and Fees.** All transfer, documentary, sales, use, stamp, registration and other such Taxes (excluding, for certainty, any Income Tax, but including, for greater certainty any Transfer Taxes arising as a result of transactions contemplated in this Agreement), and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (collectively, "Transfer Costs") and arising otherwise than by reason of Seller's

status under the Laws of any non-Canadian jurisdiction shall be borne by Buyer. Any other Transfer Costs shall be borne by the Seller.

**(f) Amended Returns and Retroactive Elections.** Buyer shall not, and shall not cause or permit the Corporation to (i) amend any Tax Returns filed with respect to any tax year ending on or before the Effective Date, (ii) make any Tax election that has retroactive effect to any such year, (iii) file a Tax Return of the Corporation in a jurisdiction where the Corporation has not previously filed a Tax Return, (iv) grant an extension of any applicable statute of limitations with respect to a Tax Return or Taxes of the Corporation (other than extensions resulting from extensions of time to file Tax Returns), (v) enter into any closing agreement, settle any Tax claim or assessment, surrender any right to a refund of Taxes, or (vi) make any voluntary disclosure or enter into any voluntary disclosure program or agreement or take any other similar action, in each such case without the prior written consent of Seller, which consent shall not unreasonably be withheld, conditioned or delayed.

**(g) Tax Contests.**

Notwithstanding anything herein to the contrary, this Section 11 (f) will apply with respect to any tax dispute or audit ("Tax Contest") involving the Corporation for any taxable period ending on or before the Effective Date. Within three (3) Business Days of receipt by Buyer of any notice or other communication regarding a Tax Contest for any taxable period ending on or before the Effective Date, Buyer will provide a copy of such notice or other communication to Seller. Seller will have the right, at Seller's sole cost and expense, to represent the Corporation's interests in any such Tax Contest relating to Taxes for any taxable period ending on or before the Effective Date, and Buyer will control all other Tax Contests; provided, however, that Seller will have no right to represent the Corporation's interests in any Tax Contest unless Seller will have first notified Buyer in writing of Seller's intention to do so within thirty (30) days after Seller's receipt of notice of the Tax Contest and will have agreed with Buyer in writing that Seller will be liable for any Taxes that result from such Tax Contest. If Seller represent the interests of the Corporation in a Tax Contest, (A) Buyer may, at its sole cost and expense, participate in the Tax Contest, (B) Seller will keep Buyer reasonably informed with respect to the commencement, status, and nature of any such Tax Contest, including ensuring that Buyer receives copies of all notices, pleadings or other submissions on a timely basis, and (C) Seller will bear all costs and expenses of Seller and the Corporation relating to such Tax Contest. Notwithstanding the foregoing provisions of this Section 11 (f), if (X) Seller have not given notice of Seller's election to represent the Corporation's interests in the Tax Contest within such thirty (30) day period, or (Y) Seller fail to conduct such defense diligently and in good faith, then in either case Buyer will have the right to control the defense, compromise or settlement of the Tax Contest with counsel of its choice at Buyer's sole cost and expense. Buyer will control, at its sole cost and expense, all other Tax Contests and Seller may, at its sole cost and expense, participate in such Tax Contest. If Seller participate in any such Tax Contest, Buyer will keep Seller reasonably informed with respect to the commencement, status, and nature of any such Tax Contest, including ensuring that Seller receive copies of all notices, pleadings or other submissions. Notwithstanding the foregoing, neither Seller nor Buyer will be entitled to settle, either administratively or after the commencement of litigation, any Tax Contest without the prior written consent of the other Party, which consent may not be unreasonably withheld, conditioned or delayed.

**(h) Restrictive Covenants.**

Seller and Buyer acknowledge and agree that no portion of the Purchase Price shall be allocable to, and no proceeds shall be received or receivable by the Seller for, granting the restrictive covenants set forth in, or pursuant to, this Agreement or an Exhibit or Appendix thereto, and that such restrictive covenants are integral to this Agreement and have been granted to maintain or preserve the fair market value of the Shares being acquired pursuant to this Agreement for purposes of subsection 56.4(7) of the Tax Act. For greater certainty, the Parties agree to do all such things and file all such elections, if one is needed, and report for all purposes of the Tax Act in a manner consistent with the foregoing and as may be required or reasonably desirable from time to time to give full effect to the foregoing and for subsection 56.4(7) of the Tax Act to apply.

**SECTION 12 PRIVACY.**

- (a) In this Section 12, “Transferred Information” means any Personal Information disclosed or conveyed to one Party or any of its representatives or agents (a “Recipient”) by or on behalf of another party (a “Disclosing Party”) in anticipation of, as a result or, or in conjunction with the transactions contemplated herein.
- (b) Each Disclosing Party shall ensure that any Transferred Information with respect to which it is responsible for disclosing to a Recipient is necessary for the purposes of determining whether to proceed with the transactions contemplated hereby, and if the determination is made to proceed with said transactions, to complete them.
- (c) Prior to the completion of the transactions contemplated hereby, the Recipient covenants and agrees to:
  - (i) use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated hereby, including for the purpose of determining to complete said transactions;
  - (ii) protect the Transferred Information by security safeguards appropriate to the sensitivity of the information; and
  - (iii) if the transactions contemplated hereby do not proceed, return the Transferred Information to the Disclosing Party or destroy it, at the Disclosing Party’s election, within a reasonable time.
- (d) After the completion of the transactions contemplated hereby, Recipient agrees to:
  - (iv) use and disclose the Transferred Information under its control only for those purposes for which the Transferred Information was initially collected, permitted to be used or disclosed, unless:
    - (A) the Disclosing Party or Recipient has first notified the individual about whom the Transferred Information related of any additional purpose and, where required by applicable Law, obtained the consent of such individual to such additional purpose, or

- (B) such use or disclosure is permitted or authorized by applicable Law, without notice to or consent from such individual;
- (v) protect the Transferred Information under its control by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction; providing, however, that such arrangements include, at a minimum, safeguards that are appropriate to the sensitivity of such Transferred Information; and
- (vi) give effect to any withdrawal of consent made by an individual to whom the Transferred Information under its control relates.
- (e) Where required by applicable Law, the Corporation further agree to promptly notify the individuals about whom the Transferred Information relates that the transactions contemplated hereby have taken place and that their Transferred Information has been disclosed.
- (f) This Section 12 shall indefinitely survive the execution and delivery of this Agreement and the Closing.

**SECTION 13 REGULATORY APPROVAL.**

**(a) OEB Approval.**

- (i) The Parties will, as promptly as practicable after the execution of this Agreement (but in no event later than 60 days after the execution of this Agreement), file or caused to be filed with the OEB an application under the OEB Act for the OEB Approval.
- (ii) Buyer shall be responsible for all costs and fees associated with the filing of such application. Each of Buyer and Seller will use commercially reasonable efforts to co-operate and assist the other, so that the OEB Approval can be obtained on or prior to May 31, 2026.

**(b) Minister of Finance Notice.**

- (i) Buyer will as promptly as practicable after the execution of this Agreement (but in no event later than 60 days prior to 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.
- (ii) Buyer will be responsible for the costs incurred by it in connection with the Minister of Finance Notice.

**SECTION 14 MISCELLANEOUS.**

- (a) Press Releases and Public Announcements.** The Parties shall consult with each other regarding any proposed press release or public announcement related to the subject matter of

this Agreement, and in no event shall any Party issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written consent of the other Party, which consent shall not unreasonably be withheld, conditioned or delayed; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable Law (in which case the disclosing Party will use its reasonable efforts to advise the other Party prior to making the disclosure).

**(b) *No Third-Party Beneficiaries.*** Except for indemnified Persons described herein, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

**(c) *Entire Agreement.*** This Agreement, the Disclosure Schedule, and the Appendices, Exhibits and documents referred to herein constitute the entire agreement among the Parties and supersede any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof (including, without limitation, the terms of the letter of the intent dated November 5, 2025 between the Buyer and the Corporation). The Parties further acknowledge and agree that, in entering into this Agreement, in delivering the respective schedules, documents and instruments to be delivered pursuant hereto and in consummating the transactions contemplated hereby and thereby, they have not in any way relied, and will not in any way rely, upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth in this Agreement or in such schedules, documents or instruments.

**(d) *Succession and Assignment.*** This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, executors, legal personal representatives, successors and permitted assigns. Neither Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

**(e) *Legal Fees.*** If either Party institutes any legal action or proceeding to enforce this Agreement or to obtain any other remedy regarding any breach of this Agreement or any other claim arising out of this Agreement, the prevailing Party in the action or proceeding shall be entitled to receive, and the non-prevailing Party or Parties shall pay, in addition to all other remedies to which the prevailing Party may be entitled, the costs and expenses incurred by the prevailing Party in conducting the action or proceeding, including reasonable fees, disbursements and costs or legal counsel and all court costs, including, without limitation, all fees, taxes, costs, and expenses incident to appellate, bankruptcy, and post-judgment proceedings. As used in this Section 14 (e), "prevailing Party" means the Party that is afforded the greater relief (whether affirmatively or by means of a successful defense) with respect to claims having the greatest value or importance as determined by the court allowing for all of the claims, counterclaims, and defenses asserted. For purposes of clarity, the obligations of each Party in this Section 14 (e) are intended to provide for the shifting of fees, disbursements and costs of legal counsel in relation to both direct claims among the Parties and Third-Party Claims.

**(f) *Headings.*** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**(g) Notices.** All notices and communications required or permitted under this Agreement shall be in writing addressed as set forth below, and any notice or communication hereunder shall be deemed to have been duly delivered upon the earliest of: (i) actual receipt by the Party to be notified; (ii) five (5) days after deposit with Canada Post for sending by registered or certified mail, postage prepaid, return receipt requested; (iii) if by electronic transmission, upon affirmative acknowledgment by the recipient in writing of receipt; or (iv) if deposited with FedEx (or other reputable overnight delivery service) for overnight delivery, two (2) Business Days after deposit with such service. All such notices shall be addressed as follows:

<p>If to Seller:</p> <p>The Corporation of the Town of Tillsonburg 10 Lisgar Ave Tillsonburg, ON N4G 5A5</p> <p>Attention: Kyle Pratt, Chief Administrative Officer Email: kpratt@tillsonburg.ca</p>	<p>Copy (which shall not constitute notice) to:</p> <p>Aird &amp; Berlis LLP Brookfield Place 181 Bay Street, Suite 1800 Toronto, ON M5J 2T9</p> <p>Attention: Ron W. Clark Email: rclark@airdberlis.com</p>
<p>If to Buyer:</p> <p>180 Whiting Street Ingersoll, ON N5C 3B5</p> <p>Attention: Tyler Moore, VP Energy &amp; General Counsel Email: tyler.moore@erthcorp.com</p>	<p>Copy (which shall not constitute notice) to:</p> <p>180 Whiting Street Ingersoll, ON N5C 3B5</p> <p>Attention: Eustacia Young, Corporate Secretary Email: eustacia.young@erthcorp.com</p>

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

**(h) Governing Law.** This Agreement, and all claims or causes of action (whether in contract, tort or statute) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be interpreted and construed in accordance with, the internal laws of the Province of Ontario and the federal laws of Canada applicable therein, including its statutory limitation periods, without regard to any borrowing statute that would result in the application of the statute of limitations of any other jurisdiction.

**(i) Dispute Resolution.** Except as provided in Section 1 (a)(i), all disputes arising from or relating to this Agreement shall be resolved in the Superior Court of Justice located in Toronto,

Ontario, and each Party hereby irrevocably submits to each such court's jurisdiction and process.

**(j) Remedies.**

Except as otherwise provided in this Agreement, in the event of any failure or refusal by any Party to comply with any covenant or agreement contained in this Agreement, the other Party shall have the right to pursue the remedy of specific performance.

**(k) Jury Trial Waiver.**

The Parties hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to this agreement or the transactions contemplated hereby or any other agreement entered into in connection herewith and for any counterclaim with respect thereto, whether sounding in contract, tort or otherwise.

**(l) Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party hereto. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of warranty or covenant.

**(m) Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**(n) Expenses.** Except as expressly stated herein to the contrary, each Party shall pay its own fees and expenses incident to the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby, including broker or investment banker fees.

**(o) Legal Representation.**

Buyer hereby agrees, on their own behalf and on behalf of their Affiliates, and each of their successors and assigns (all such parties, the "Waiving Parties"), that (i) Aird & Berlis LLP may represent (1) Seller and its Affiliates, other than the Corporation (individually and collectively, the "Shareholder Group") and (2) the Corporation, in connection with the negotiation, preparation, execution and delivery of this Agreement, the other documents contemplated hereunder for the consummation of the transactions contemplated by this Agreement, and the consummation of the transactions contemplated by this Agreement (such representation, the "Current Representation"), and (ii) Aird & Berlis LLP (or any successor) may represent the Shareholder Group or any member of the Shareholder Group or any director, shareholder, trustee, officer, or employee of the Shareholder Group, other than the Corporation, in each case in connection with any dispute, litigation, claim, proceeding or obligation arising out of or relating to this Agreement, the

documents and agreements contemplated hereunder and executed and delivered in connection with the consummation of the transactions contemplated by this Agreement, and the consummation of the transactions contemplated by this Agreement (any such representation, the "Post-Closing Representation") notwithstanding the Current Representation (or any continued representation), and Buyer on behalf of itself, the Corporation and the other Waiving Parties hereby waive (and will not assert) any current conflict of interest or objection to the Post-Closing Representation arising from the Current Representation. Buyer on behalf of itself and the Corporation acknowledge that the foregoing provision applies whether or not Aird & Berlis LLP provides legal services to the Corporation after the Closing Date. Buyer, for itself, the Corporation and the other Waiving Parties, hereby acknowledges and agrees that all confidential communications between the Shareholder Group and their counsel, including Aird & Berlis LLP, made in connection with the negotiation, preparation, execution, delivery and performance under, or any dispute or proceeding arising out of or relating to, this Agreement, the other documents and agreements contemplated hereunder and executed and delivered in connection with the consummation of the transactions contemplated by this Agreement, the consummation of the transactions contemplated by this Agreement, or any matter relating to any of the foregoing, are privileged communications between the Shareholder Group and such counsel and none of Buyer, the Corporation, or any Person purporting to act on behalf of or through Buyer or the Corporation or any of the Waiving Parties, will seek to obtain the same by any process. If a dispute arises between Buyer and/or the Corporation and a third party other than a party to this Agreement after the Closing, the Corporation may assert solicitor-client or attorney-client privilege to prevent disclosure of privileged communications from Aird & Berlis LLP (or any successors) or Seller to such third party.

***(p) Protected Communications.***

The Parties agree that, immediately prior to the Closing, without the need for any further action (i) all right, title and interest of the Corporation in and to all Protected Communications shall thereupon transfer to and be vested solely in the Seller, and their successors in interest; and (ii) any and all protections from disclosure, including attorney client privileges and work product protections, associated with or arising from any Protected Communications that would have been exercisable by the Corporation shall thereupon be vested exclusively in the Seller and their successors in interest and shall be exercised or waived solely as directed by the Seller or their successors in interest. Neither the Corporation, the Buyer or any Person acting on any of their behalf shall, without the prior written consent of the Seller or their successors in interest, assert or waive or attempt to assert or waive any such protection against disclosure, including, the attorney-client privilege or work product protection, or to obtain, use or disclose or attempt to obtain, use or disclose any Protected Communications in any manner, including in connection with the events and negotiations leading to this Agreement, any of the transactions contemplated by this Agreement or any disputes in connection therewith. The Seller and its successors in interest shall have the right at any time prior to or following the Closing to remove, erase, delete, disable, copy or otherwise deal with any Protected Communications in whatever way they desire, and the Corporation and the Buyer shall provide full access to all Protected Communications in their possession or within their direct or indirect control and shall provide reasonable assistance at the expense of the Person requesting such assistance in order to give full force and effect to the rights of the Seller and their successors in interest hereunder. As used herein, "Protected Communications" means, at any time, any and all communications in whatever form, whether

written, oral, video, electronic or otherwise, that shall have occurred between or among the Corporation, the Seller, or any of their respective Affiliates, equity holders, directors, officers, employees, agents, representatives, advisors or attorneys (including the Advisors) to the extent relating to this Agreement, the events and negotiations leading to this Agreement, the transactions contemplated herein or any other potential sale, merger or transfer of control transaction involving the Corporation.

**(q) Construction.** The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, provincial, local, or non-Canadian statute or law shall be deemed to refer to such statute as amended from time to time, except as otherwise specified herein, and to all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “hereof,” “hereunder,” “hereto” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement unless otherwise specified. References to Articles, Sections, Exhibits, Appendices and Schedules are to Articles, Sections, Exhibits, Appendices and Schedules of this Agreement unless otherwise specified. The word “including” shall mean “including without limitation”. The word “or” shall not be deemed to be exclusive. The phrase “written notice” shall include written information delivered and received by facsimile and electronic mail. The Parties intend that each representation, warranty, and covenant contained herein (and the consequences under this Agreement for a breach of the same) shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

**(r) Exhibits, Appendices and Schedules.** The Exhibits, Appendices and Disclosure Schedule identified in this Agreement are incorporated herein by reference and made a part hereof as if set forth in their entirety herein.

**(s) Counterparts.**

This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same agreement, and signatures delivered by facsimile (including computer-scanned, .pdf, or other electronic reproduction transmitted via facsimile, email or other electronic means) shall be effective as original signatures.

[Signature page follows]

**EXECUTED** to be effective as of the date hereof.

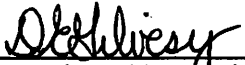
**BUYER:**

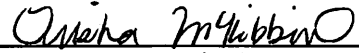
**ERTH CORPORATION**

By:   
Name: Chris White  
Title: President & CEO

**SELLER:**

**The Corporation of the Town of Tillsonburg**

By:   
Name: Deb Gilvesy  
Title: Mayor, Town of Tillsonburg

By:   
Name: Trisha McKibbin  
Title: Clerk, Town of Tillsonburg

## **Appendix 1**

### **Definitions**

“**Accession Agreement**” means an agreement in the form attached as Exhibit D to this Agreement which is required to bind Seller to the Shareholder Agreement and the terms and conditions therein.

“**Advisor Fees Payment**” has the meaning set forth in Section 2 (d)(J).

“**Accounts Receivable**” means the aggregate sum of all accounts receivable and other amounts due, owing or accruing due to the Buyer, net of an allowance for doubtful accounts calculated in accordance with IFRS.

“**Affiliate**” means, with respect to any specified Person, any Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specific Person.

“**Agreement**” has the meaning set forth in the preamble.

“**Books and Records**” means the books, ledgers, files, lists, reports, plans, logs, deeds, surveys, correspondence, operating records, Tax Returns and other data and information, including all data and information stored on computer-related or other electronic media, maintained with respect to the business of the Corporation or the Buyer, as applicable.

“**Business Day**” means any day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are required or permitted to be closed.

“**Buyer**” has the meaning set forth in the preamble.

“**Buyer Board**” has the meaning set forth in Section 9 (e)(iv)(A)

“**Buyer Employees**” means all personnel employed, engaged or retained by Buyer or Buyer Subsidiaries, including any that are on medical or long-term disability leave, or other statutory or authorized leave or absence, but excluding independent contractors.

“**Buyer LDC**” means ERTH Power Corporation, a corporation licensed by the OEB to distribute electricity in Ontario.

“**Buyer Indemnified Parties**” has the meaning set forth in Section 10 (a).

“**Buyer Subsidiaries**” means the Buyer LDC, ERTH Limited, ERTH (Holdings) Inc., ERTH Business Technologies Inc., and ERTH Community Power One L.P.

“**Cap**” has the meaning set forth in Section 10 (d).

“**Cash**” means the sum of cash and cash equivalents (plus uncollected bank deposits and less all outstanding cheques and drafts) of the Corporation.

“Claim” means any claim, demand, action, cause of action, suit, arbitration, investigation, proceeding, complaint, grievance, charge, prosecution, assessment or reassessment, including any appeal or application for review.

“Closing” has the meaning set forth in Section 2 (c).

“Closing Date” means the date (which shall be a Business Day) that is 30 days after the date on which the OEB issues the OEB Approval or such earlier or later date as may be agreed to in writing by the Parties.

“Closing Date Financial Statements” means the unaudited balance sheet and statement of income of the Corporation as of Closing.

“Community Involvement Agreement” means the community involvement agreement between the Seller and the Buyer in the form of Exhibit F hereto.

“Competition Act” means the *Competition Act* (Canada).

“Consideration Shares” has the meaning set forth in Section 2 (c)(i)(B).

“Contract” means any agreement, understanding, undertaking, commitment, licence, or lease, whether written or oral.

“Control” (including the terms “Controlled by” and “under common Control with”) means, in relation to a Person, where (a) voting securities of such first-mentioned Person carrying more than fifty per cent (50%) of the votes for the election of directors are held, other than by way of security only, by or for the benefit of another Person; and (b) the votes carried by such securities are sufficient, if exercised, to elect a majority of the board of directors of the first-mentioned Person, such other Person shall Control such first-mentioned Person.

“Corporate Articles” means, as applicable, the certificate and articles of incorporation amalgamation of the applicable corporation and the certificates and articles of amendment of such corporation.

“Corporation” has the meaning set forth in the preamble.

“Confidential Information” means any information concerning the business and affairs of either of the Corporation that is not already generally available to the public (including the terms of this Agreement and any documents entered into or delivered in connection with this Agreement). Confidential Information shall not include: (a) any information which is or becomes publicly available by means other than unauthorized disclosure, (b) any information which has been disclosed to a party by any third person, provided that the party to whom such disclosure has been made does not have actual knowledge that such Person is prohibited from disclosing such information (either by reason of contractual, legal or fiduciary duty or obligation) or (c) information, the disclosure of which is required to be made by any Law or Governmental Authority or court (to the extent of the requirement).

“Confidentiality Agreement” has the meaning set forth in Section 9 (b)(i).

“Controlling Party” has the meaning set forth in Section 10 (c)(ii).

“CTA” means the *Corporations Tax Act* (Ontario).

“Customer Services Agreement” means the Customer Services Agreement between the Parties, in the form set out as Exhibit G hereto.

“Debt” of any Person at any date, without duplication, means (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person for the deferred purchase price of property or services incurred in the Ordinary Course of Business; (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances; (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person; (f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interests in such Person or any other Person or any warrants, rights or options to acquire such equity interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (g) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities in respect of obligations of the kind referred to in subsections (a) through (f) of this definition; (h) all guarantee or similar obligations of such Person in respect of obligations of the kind referred to in subsections (a) through (g) above or subsection (j) below; (i) all debt of any partnership, limited liability company or joint venture in which such Person is a general partner, member or a joint venturer, respectively (unless such Debt is expressly made non-recourse to such Person); (j) all obligations of such Person under outstanding vehicle leases and under any lease that is a capital lease under IFRS; and (k) all obligations or liabilities (including but not limited to any obligations or liabilities for services, labour, materials, equipment, or supplies, and any taxes, costs, expenses or fees related thereto) of such Person for any portion of any prepaid maintenance contracts which is uncompleted as of the Effective Time but allocable to any revenues recognized by such Person as of or prior to the Effective Time.

“Deductible” has the meaning set forth in Section 10 (d).

“Departure Tax” means the liability for PILs arising under a deemed disposition under section 149(10) of the Tax Act.

“Disclosure Schedule” means the disclosure schedules with respect to the Corporation and Buyer attached hereto.

“Dollars” or “\$” means Canadian dollars (CAD), unless otherwise specified herein.

“EA” means the *Electricity Act, 1998* (Ontario).

“Easements” means all of the following real property interests: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, traverse, enjoy or have access to, over, in or under any real property, whether public or private; and (iii) all permits, licences and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing.

**“Employee Benefits”** means:

- a) bonuses, vacation entitlements, commissions, fees, stock option plans, incentive plans, deferred compensation plans, profit-sharing plans, severance plans, termination pay plans, supplementary employment insurance plans and other similar benefits, plans or arrangements; and
- b) insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care and other similar benefits, plans or arrangements.

**“Effective Date”** has the meaning set forth in Section 11 (a).

**“Effective Time”** has the meaning set forth in Section 2 (c).

**“Employees”** means the employees of the Corporation set out in Appendix 3 hereto who have accepted transfer of employment to the Corporation.

**“Environment”** means the ambient air, all layers of the atmosphere, all water including surface water and underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, living organisms and organic and inorganic matter, and includes indoor spaces.

**“Environmental Approvals”** is defined in Section 3 (b)(B).

**“Environmental Laws”** means any Laws relating to the Environment and protection of the Environment, the regulation of chemical substances or products, health and safety including occupational health and safety, and the transportation of dangerous goods.

**“Equipment”** means the utility and information technology equipment of the Corporation set out in Appendix 2 hereto.

**“ETA”** means Part IX of the *Excise Tax Act* (Canada).

**“Financial Statements”** means the financial statements upon which the Valuation was based, which include, as applicable:

- a) the financial statements of the Corporation as at September 2024 which formed the basis of the Relative Valuation Reports, consisting of a balance sheet of the Corporation and the accompanying statements of changes in financial position, operations and retained earnings for the 12 month period then ended, a copy of which is attached hereto as Exhibit A; or
- b) the financial consolidated statements of Buyer as at September 2024 which formed the basis of the Relative Valuation Reports, consisting of the consolidated balance sheet of Buyer as at September 2024 and the accompany statements of changes in financial position, operations and retained earnings for the 12 month period then ended, a copy of which is attached hereto as Exhibit B.

**“Fixed Assets”** means in respect of the Buyer, fixed assets, furniture, furnishings, parts, tools, personal property fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, 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, excluding work-in-progress.

**“Fraud”** means any actual or intentional fraud or criminal conduct, fraudulent misrepresentation, intentional misrepresentation, willful misconduct or constructive fraud on the part of a Party.

**“Fundamental Representations”** has the meaning set forth in Section 10 (d).

**“General Conveyance”** means the general conveyance with respect to the Transferred Equipment to be executed by the Seller and the Buyer in form and substance mutually satisfactory thereto.

**“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state, local, municipal, foreign or other government or quasi-governmental body, governmental authority, regulatory or administrative agency, or any department, agency, commission, board, subdivision, bureau, instrumentality, court or other tribunal or arbitral body of any of the foregoing, or any person exercising or entitled to exercise any legislative, judicial, quasi-judicial, administrative, executive, investigative, regulatory, licensing, expropriation or taxing authority or power.

**“Governmental Order”** means any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any Governmental Authority.

**“Hazardous Substance”** means any substance, waste, liquid, gaseous or solid matter, fuel, micro-organism, sound, vibration, ray, heat, odour, radiation, energy vector, plasma, organic or inorganic matter which is or is deemed to be, alone or in any combination, hazardous, hazardous waste, solid or liquid waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination, regulated by any Environmental Laws.

**“IESO”** has the meaning set forth in Section Section 9 (e)(vi).

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee in effect at the relevant time, applied on a consistent basis.

**“Income Tax”** means any federal, provincial, local or non-Canadian income tax, including any interest, penalty, or addition thereto, whether disputed or not.

**“Income Tax Return”** means any return, declaration, report, claim for refund, or information return or statement relating to Income Taxes, including any schedule or attachment thereto, and including any amendment thereof.

**“Indemnified Party”** has the meaning set forth in Section 10 (c)(i).

**“Indemnified Taxes”** means (a) Taxes (or the nonpayment thereof) of the Corporation (or any of their Affiliates) for any Pre-Closing Tax Period, (b) all Taxes, for Pre-Closing Tax Periods, of any

member of an affiliated, consolidated, combined or unitary group of which the Corporation (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, and (c) any and all Taxes of any Person (other than the Corporation), for Pre-Closing Tax Periods, imposed on the Corporation as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which Taxes relate to an event or transaction occurring before the Closing, but excluding Transfer Tax and Departure Tax.

“Indemnifying Party” has the meaning set forth in Section 10 (c)(i).

“Independent Accountant” has the meaning set forth in Section 1 (a)(i).

“Insurance Policies” means, as applicable, the insurance policies maintained with respect to the Corporation’s business.

“Intellectual Property” means trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights.

“IT Services Agreement” means the IT services agreement to be executed by the Seller and the Buyer in form and substance mutually satisfactory thereto.

“Knowledge of Buyer” or “Buyer’s Knowledge” means the actual knowledge of any <\*> (including information about which such Persons have received written notice), or the knowledge that any such Person would reasonably be expected to obtain in the course of performing their respective duties for the Buyer (including information any such Person should have acquired after reasonable due inquiry of employees that report to any of them, provided that reasonable due inquiry does not require carrying out any: (a) patent or other form of intellectual property search or (b) environmental report, assessment or audit).

“Law” means any statute, law, ordinance, rule, regulation, or Governmental Order, in each case, of any Governmental Authority.

“LDC Board” has the meaning set forth in Section 9 (e)(iv)(B).

“Leased Premises” means all of the lands and premises which are leased by the Corporation or the Buyer, as applicable.

“Liability” or “Liabilities” means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or un-acrued, whether liquidated or unliquidated, and whether due or to become due), including any liability or obligation for Taxes, court costs, or attorneys’ fees.

“Lien” means any mortgage, pledge, lien, encumbrance, charge, assignment, option, security interest, third party interest, trust, right of first refusal, pre-emptive right, or other claim, other than (a) liens for Taxes not yet due and payable and (b) other immaterial liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

“**Losses**” means any damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and legal fees and expenses, in each case, regardless of whether any of the foregoing arise in relation to disputes between the Parties (for example, in connection with the enforcement of this Agreement and the legal-fee shifting provisions herein) or arise in relation to matters between any Party and a third party, in each case, whether resulting from actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees and/or, rulings.

“**Material Adverse Effect**” or “**Material Adverse Change**” means any effect or change which is materially adverse to the operations, results of operations, assets, liabilities or condition (financial or otherwise) of the Corporation or the Buyer, as applicable, other than as a result of: (i) changes generally affecting the Canadian economy or the global economy; (ii) changes generally affecting electricity distribution industry which do not have a materially disproportionate effect on the Corporation or the Buyer, as applicable relative to other participants in the energy distribution industry; (iii) the rate at which Canadian dollars can be exchanged for United States dollars or vice versa; (iv) the announcement or pendency of the transactions contemplated hereunder; (v) changes in applicable Law; (vi) changes in IFRS or regulatory principles applicable to the Corporation applicable; (vii) epidemic, pandemic or disease outbreak (including Covid-19); or (viii) the imposition of or increase in tariffs, duties, or taxes imposed by a Governmental Authority. Reference in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a Material Adverse Change has occurred or whether a state of facts exists that has or could have a Material Adverse Effect.

“**Material Contract**” means a Contract in respect of the Corporation’s business or the Buyer’s business, as applicable:

- a) that involves or may result in the payment of money or money’s worth in an amount in excess of \$100,000 (excluding any collective bargaining agreements or employment agreements); or
- b) the termination of which, or under which the loss of rights, would constitute a Material Adverse Effect.

“**MSA No.1**” means the Master Services Agreement between Seller and the Corporation dated January 1, 2019.

“**MSA No.2**” means the Master Services Agreement between Seller and Buyer dated September 16, 2021.

“**OEB**” means the Ontario Energy Board.

“**OEB Act**” means the *Ontario Energy Board Act, 1998*.

“**OEB Approval**” means the approval of the OEB pursuant to the OEB Act in respect of the transactions contemplated by this Agreement, pursuant to section 86(2).

“**OMERS**” means the Ontario Municipal Employees Retirement System.

**“Ordinary Course of Business”** means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

**“Owned Lands”** means all of the lands and premises which are owned by the Buyer.

**“Party”** or **“Parties”** has the meaning set forth in the preamble.

**“Payment Shares”** has the meaning set forth in Section 2 (d)(i)(A).

**“PCBs”** has the meaning set forth in Section 3 (b)(K).

**“Permits”** means the authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to the Intellectual Property) issued or granted by any Governmental Authority to the Corporation or the Buyer, as applicable.

**“Permitted Liens”** means:

- a) liens for municipal Taxes, assessments or similar charges incurred in the Ordinary Course of Business that are not yet due and payable;
- b) inchoate mechanic's, construction and carrier's liens and other similar liens arising by operation of law or statute in the Ordinary Course of Business for obligations which are not delinquent and will be paid or discharged in the Ordinary Course of Business;
- c) unregistered Encumbrances of any nature claimed or held by His Majesty The King in Right of Canada, His Majesty The King in right of the Province of Ontario or by any Governmental Authority under any applicable Law, except for unregistered liens for unpaid realty Taxes, assessments and public utilities;
- d) title defects which are of a minor nature and in the aggregate, do not materially impair the value or use of any of the Owned Lands or Leased Premises;
- e) any right of expropriation conferred upon, reserved to or vested in His Majesty The King in Right of Canada, His Majesty The King in right of the Province of Ontario or any Governmental Authority under any applicable Law;
- f) zoning restrictions, easements and rights of way or other similar Encumbrances or privileges in respect of real property which in the aggregate, do not materially impair the value or use of any of the Owned Lands, Leased Premises or Easements;
- g) Liens created by others upon other lands over which there are easements, rights-of-way, licences or other rights of user in favour of the Owned Lands, Leased Premises or Easements and which do not materially impede the use of the easements, rights-of-way, licences or other rights of user for the purposes for which they are held;

- h) the reservations, limitations, provisos, conditions, restrictions and exceptions in the letters patent or grant, as the case may be, from the Crown and statutory exceptions to title;
- i) those instruments registered on title to the Owned Lands or against the leasehold interest in the Leased Premises and described in the Disclosure Schedule;
- j) all encroachments, overlaps, overhangs, unrecorded servitudes and easements, variations in area or measurement, rights of parties in possession, lack of access or any other matters not of record that would be disclosed by an accurate survey or physical inspection of the Owned Lands or Leased Premises and that do not materially interfere with or affect the value or operation of the Corporation's business as currently carried on at such Owned Lands or Leased Premises; and
- k) and any other encumbrances affecting the Owned Lands or the Leased Premises provided same are not, individually or in the aggregate, material to the business of the Buyer and do not materially impair the use or value of the Owned Lands or the Leased Premises.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a Governmental Authority.

“Personal Information” means any information about an identifiable individual (other than any information that is used for the purpose of communicating or facilitating communication with an individual in relation to their employment, business or profession such as the individual’s name, position name or title, work address, work telephone number, work fax number or work electronic address).

“PILs” means payment in lieu of corporate taxes required to be made under Section 93 of the EA.

“Pre-Closing Tax Period” means any Tax period that ends on or prior to the Effective Date and the portion of any Straddle Period ending on the Effective Date.

“Privacy Laws” means any Laws that regulate the collection, use or disclosure of Personal Information.

“Promissory Note” has the meaning set forth in Section 5 (d).

“Protected Communications” has the meaning set forth in Section 14 (p).

“Purchase Price” has the meaning set forth in 0

“Real Property Leases” means the leases between the Corporation or the Buyer, as the case may be, and each landlord party thereto, and all amendments to those leases, relating to the leasing of Leased Premises.

“Relative Valuation Reports” means the valuation reports of the Corporation and Buyer dated ● undertaken by Doane Grant Thornton LLP; and

“Release” means to release, spill, leak, pump, pour, emit, empty, discharge, deposit, inject, leach, dispose, dump or permit to escape.

“Remedial Order” means any remedial order, including any notice of non-compliance, order, other complaint, direction or sanction issued, filed or imposed by any Governmental Authority pursuant to Environmental Laws, with respect to the existence of Hazardous Substances on, in or under Owned Lands or Leased Premises, or the Release of any Hazardous Substance from, at or on the Owned Lands or Leased Premises or with respect to any failure or neglect to comply with Environmental Laws.

“Representatives” means the Affiliates of any Person, and the advisors, agents, consultants, directors, officers, management, employees, subcontractors, and other representatives, including accountants, auditors, financial advisors, lenders and lawyers of any Person and of that Person’s Affiliates.

“Securities” has the meaning given to that term in the *Securities Act* (Ontario).

“Seller” has the meaning set forth in the recitals.

“Seller Indemnified Parties” has the meaning set forth in Section 10 (b).

“Service Territory” means the licensed distribution service territory of the Corporation immediately prior to the Closing Date.

“Shares” has the meaning set forth in the recitals.

“Shareholder Agreement” means the unanimous shareholder agreement to which the shareholders of Buyer are bound, a copy of which is attached as Exhibit D to this Agreement.

“Special Shares” has the meaning set forth in Section 5 (d).

“Straddle Period” has the meaning set forth in Section 11 (a).

“Subsidiary” or “Subsidiaries” means, with respect to any Person (the “parent”) at any date, (a) any other Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date, (b) any Person, a majority of whose outstanding equity securities or voting securities, or other ownership interests therein, shall at any time be owned by such parent or one or more Subsidiaries of such parent and (c) any partnership (whether general or limited) or limited liability company (i) the sole general partner or member of which is such parent or a Subsidiary of such parent, or (ii) if there is more than a single general partner or member, either (A) the only managing general partners or managing members of which are such parent or one or more Subsidiaries of such parent or (B) such parent owns or controls, directly or indirectly, a majority of the outstanding general partner interests, member interests or other voting securities of such partnership or limited liability company, respectively.

“TA” means the *Taxation Act, 2007* (Ontario).

“Tax” or “Taxes” means PILs, and all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever, whether direct or indirect (including all income, capital gains, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers’ compensation premiums, Canada Pension Plan premiums, employment insurance premiums, and debt retirement charges pursuant to Part V.1 of the EA and special payments pursuant to Part VI of the EA), together with all interest, penalties, fines, additions to tax or other additional amounts, imposed by any Governmental Authority.

“Tax Act” means the *Income Tax Act* (Canada).

“Tax Contest” has the meaning set forth in Section 11 (g).

“Tax Law” means any Law that imposes Taxes or that deals with the administration or enforcement of liabilities for Taxes.

“Tax Return” means any return, report, declaration, designation, election, undertaking, waiver, notice, filing, information return, statement, form, certificate or any other document or materials relating to Taxes, including any related or supporting information with respect to any of those documents or materials listed above in this definition, filed or to be filed with any Governmental Authority in connection with the determination, assessment, collection or administration of Taxes, including those required pursuant to Parts V.1 and VI of the EA.

“Termination Agreement” means an agreement to terminate MSA No.1 and MSA No. 2, in a form mutually satisfactory to the Parties

“Third-Party Claim” has the meaning set forth in Section 10 (c)(i).

“Transfer Costs” has the meaning set forth in Section 11 (e).

“Transfer Tax” means the tax payable pursuant to Section 94 of the EA.

“Unionized Employees” has the meaning set forth in Section 9 (e)(ii).

“Voting Share” means one (1) Class A share in the capital of Buyer, which entitles Seller to an equal vote at all meetings of the shareholders of Buyer.

“Water Billing Agreement” means a master services agreement dated January 1, 2021 between Seller and the County of Oxford and a related statement of work pursuant to which Seller has agreed to provide water and wastewater billing and related services to the County of Oxford.

\* \* \* \* \*

## Appendix 2 Equipment

Unit #	Description	Type	Asset ID	Summary
7066	2016 Freightliner Sing Axle Posi 55' Single Bucket	Laptop	csc-001315	
7074	2020 Freightliner Single Axle Posi 55' Single Bucket	Laptop	csc-001317	
7068	2003 Peterbuilt Tandem Axle RBD	Laptop	csc-001335	
7026	2018 Ram 1500	Laptop	csc-001384	
7027	2020 Ram Promaster City	Laptop	csc-001387	
7030	2024 Chevy 1500	Laptop	CSC-001400	
7041	2015 Ram 5500	Laptop	TOT-001417	Precision 7780
7049	2022 Ford F150	Laptop	TOT-001433	
7143	2015 Mitsubishi Fork Lift	Laptop	TOT-001436	
7234	1986 Pole Trailer	Laptop	TOT-001452	Dell Pro 16 Plus PB16250
235	Trenching Utility Trailer	Laptop	TOT-001457	Dell Pro 16 Plus PB16250
7301	1999 175 KW Gen Set	Desktop	CSC-001189	CSC-001189
		Desktop	CSC-001193	CSC-001193
		Monitor	M1057	Acer 22' Monitor
		Monitor	M1058	Acer 22' Monitor
		Monitor	M1059	Asus 22' Monitor
		Monitor	M1060	Asus 22' Monitor
		Monitor	M1061	Acer 22' Monitor
		Monitor	M1062	Acer 22' Monitor
		Monitor	M1063	Asus 22' Monitor
		Monitor	M1064	LG Monitor (No information)
		Monitor	M1074	LG 22' Monitor
		Monitor	M1075	Phillips 27' Monitor
		Monitor	M1076	Phillips 27' Monitor
		Monitor	M1083	Asus 28" Monitor
		Monitor	M1084	Asus 28" Monitor
		Monitor	M1085	Asus 19" Monitor - Line Staff
		Monitor	M1086	Dell Monitor - Line Staff
		Monitor	M1087	LG 22" Monitor
		Monitor	M1088	LG 22" Monitor
		Monitor	M1089	Asus 22" Monitor
		Monitor	M1090	Asus 22" Monitor
		Dock	D105	D105 Docking Station
		Dock	D121	D121 Docking Station
		Dock	D122	D122 Docking Station
		Dock	D123	D123 Docking Station
		Dock	D124	D124 Docking Station
		Dock	D134	D134 Docking Station
		Dock	D135	D135 Docking Station
		Dock	D136	D136 Docking Station
		Dock	D137	D137 Docking Station
		Dock	D141	D141 Docking Station
		Switch	na	Aruba 2900 series 49 port
		Access Point	na	Unifi Access Puck
		Access Point	na	Unifi Access Puck
		Access Point	na	Unifi Access Puck
		Firewall	na	Palo Alto 400 series

## **Appendix 3**

### **Employees**

1. Tim Crandall
2. Michael DeJong
3. Stacey Simmons
4. Niki Rogers
5. Greg DeVos
6. Derek Schonewille
7. Sarah Jackson
8. Anthony Tomlin
9. Gregg Lawrence
10. Grant Yarmie
11. Kyle Jacobs,
12. Ryan Fitch
13. Kurtis Hussey
14. Tracey Corchis

**Exhibit A**

**Financial Statements (Corporation)**

**TILLSONBURG HYDRO INC.  
STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2024**

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	<b>Sep 30 2024</b>	<b>Dec 31 2023</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term investments	\$ 168,808	\$ 521,647
Accounts receivable	3,931,580	3,630,297
Inventory	1,939,982	1,362,384
Prepaid expenses	184,650	135,107
	6,225,020	5,649,435
<b>Capital</b>		
Cost	\$ 38,201,415	\$ 36,959,904
Less accumulated depreciation	(15,956,153)	(15,233,400)
	22,245,261	21,726,504
<b>Other assets</b>		
Deferred regulatory tax asset	\$ 1,052,010	\$ 1,052,010
Regulatory debits	2,256,306	1,276,553
	3,308,316	2,328,563
<b>Total assets</b>	<b>\$ 31,778,597</b>	<b>\$ 29,704,501</b>

**TILLSONBURG HYDRO INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2024**

	<u>Sep 30 2024</u>	<u>Dec 31 2023</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,653,803	\$ 1,525,175
Income taxes payable	64,866	2,074
Customer deposits	24,597	33,534
Deposits in aid of construction	1,440,207	993,212
Due to related parties	1,091,439	817,749
	<u>4,274,912</u>	<u>3,371,743</u>
<b>Long term</b>		
Customer deposits	\$ 417,280	\$ 381,349
Deferred contributions	4,374,125	4,510,925
Bank loan	8,500,000	8,000,000
	<u>13,291,405</u>	<u>12,892,274</u>
<b>Other liabilities</b>		
Deferred tax liabilities	1,052,010	\$ 1,052,010
Regulatory credits	351,633	(237,720)
	<u>1,403,643</u>	<u>814,290</u>
<b>Total liabilities</b>	<u>\$ 18,969,960</u>	<u>\$ 17,078,307</u>
<b>Shareholder's equity</b>		
Common shares	\$ 6,992,565	\$ 6,992,565
Contributed capital	990,388	990,388
Retained earnings	4,825,685	4,643,240
	<u>\$ 12,808,638</u>	<u>\$ 12,626,193</u>
<b>Total liabilities and shareholder's equity</b>	<u>\$ 31,778,597</u>	<u>\$ 29,704,501</u>

**TILLSONBURG HYDRO INC.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>Budget</u>
	Year to Date	Year to Date	Actual vs Budget		For the Year Ended Dec 31, 2024
<b>Revenues</b>					
Distribution service	3,333,863	3,489,330	(155,467)	(4.5%)	4,739,052
Retail service	8,887	8,990	(104)	(1.2%)	13,486
Investment income	11,493	3,120	8,373	268.4%	4,680
Other	366,840	254,491	112,349	44.1%	381,737
<b>Total Revenues</b>	<b>3,721,083</b>	<b>3,755,932</b>	<b>(34,849)</b>	<b>(0.9%)</b>	<b>5,138,954</b>
<b>Expenses</b>					
Operating and maintenance	525,395	546,740	21,345	3.9%	728,986
Billing and collecting	621,184	630,663	9,479	1.5%	840,884
General administration	1,160,689	1,137,172	(23,517)	(2.1%)	1,516,229
Regulatory expenses	34,921	49,533	14,612	29.5%	74,300
Amortization	732,853	728,863	(3,991)	(0.5%)	998,750
Interest & finance charges	413,282	393,002	(20,280)	(5.2%)	524,003
<b>Total Expenses</b>	<b>3,488,324</b>	<b>3,485,972</b>	<b>(2,352)</b>	<b>(0.1%)</b>	<b>4,683,152</b>
<b>Net operating income</b>	<b>232,759</b>	<b>269,960</b>	<b>(37,201)</b>	<b>(13.8%)</b>	<b>474,402</b>
<b>Regulatory activities</b>					
Energy sales	\$ 18,206,368	\$ 18,790,546	\$ (584,178)	(3.1%)	\$ 25,054,061
Cost of power	17,815,967	18,790,546	974,579	5.2%	25,054,061
	<b>\$ 390,401</b>	<b>\$ -</b>	<b>\$ 390,401</b>		<b>\$ -</b>
DVA Interest income	78,627	177,795	(99,168)	(55.8%)	237,060
DVA Interest expense	(17,241)	(122,660)	105,419	(85.9%)	(163,547)
Net Movement in Reg Assets	(390,401)	-	(390,401)		
	<b>61,385</b>	<b>55,135</b>	<b>6,251</b>		<b>73,513</b>
<b>Net Income</b>	<b>294,144</b>	<b>325,095</b>	<b>(30,950)</b>	<b>(9.5%)</b>	<b>547,915</b>
Provision for corporate taxes	111,700	108,898	2,802	2.6%	145,197
<b>Net Income after tax</b>	<b>\$ 182,444</b>	<b>\$ 216,196</b>	<b>\$ (33,752)</b>	<b>(15.6%)</b>	<b>\$ 402,717</b>

**TILLSONBURG HYDRO INC.  
STATEMENT OF RETAINED EARNINGS  
FOR THE PERIOD ENDING SEPTEMBER 30, 2024**

	<u>2024</u>	<u>2023</u>
<b>Accumulate net earnings, beginning of year</b>	<b>\$ 4,643,240</b>	<b>\$ 4,387,785</b>
Net earnings for the year	182,444	530,456
Dividends	-	<u>(275,000)</u>
<b>Accumulated net earnings, end of year</b>	<b><u>\$ 4,825,685</u></b>	<b><u>\$ 4,643,240</u></b>

**TILLSONBURG HYDRO INC.**  
**Statement of Regulatory Balances**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024**

	<u>Sep 30 2024</u>	<u>Dec 31 2023</u>	<u>\$ Variance</u>
<b>Regulatory Debits</b>			
<b><u>GROUP 1 ~ Settlement Variances</u></b>			
Transmission Connection Services	153,563	105,394	48,170
Transmission Network Services	413,793	284,064	129,728
Rural Rate Assistance	12,411	131	12,280
Global Adjustment	860,969	592,631	268,338
Power	702,755	779,911	(77,156)
<b>Total Settlement Variances</b>	<b>\$ 2,143,491</b>	<b>\$ 1,762,131</b>	<b>\$ 381,360</b>
<b><u>GROUP 2 ~ Other Deferrals &amp; Variances</u></b>			
LRAM Variance Account	\$ 24,042	\$ 23,245	\$ 796
Recovery of Regulatory Debits	22,935	20,473	2,463
Other Regulatory Costs	65,837	63,465	2,372
<b>Total Group 2 Variances</b>	<b>\$ 112,814</b>	<b>\$ 107,183</b>	<b>\$ 5,631</b>
<b>Total Regulatory Debits</b>	<b>\$ 2,256,306</b>	<b>\$ 1,869,315</b>	<b>\$ 386,991</b>
<b>Regulatory Credits</b>			
<b><u>GROUP 1 ~ Settlement Variances</u></b>			
Wholesale Market Services	\$ 136,661	\$ 167,929	\$ (31,268)
Smart Meter Entity	85,008	74,356	10,652
<b>Total Settlement Variances</b>	<b>\$ 221,669</b>	<b>\$ 242,285</b>	<b>\$ (20,616)</b>
<b><u>GROUP 2 ~ Other Deferrals &amp; Variances</u></b>			
Pole Attachment	\$ 129,548	\$ 112,377	\$ 17,171
Stranded Meters	416	381	35
<b>Total Group 2 Variances</b>	<b>\$ 129,963</b>	<b>\$ 112,758</b>	<b>\$ 17,206</b>
<b>Total Regulatory Credits</b>	<b>\$ 351,633</b>	<b>\$ 355,042</b>	<b>\$ (3,410)</b>

**TILLSONBURG HYDRO INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024**

	<u>Sep 30</u> <u>2024</u>	<u>Dec 31</u> <u>2023</u>
<b>Operating Activities</b>		
Net earnings for the year	\$ 182,444	\$ 530,456
Charges (credits) not involving cash		
Amortization	722,753	792,694
	<u>905,197</u>	<u>1,323,149</u>
Accounts receivable	(301,284)	268,143
Due to/from related parties	273,690	(1,678,637)
Income taxes receivable/payable	62,792	(12,604)
Inventory	(577,597)	(536,567)
Prepaid expenses	(49,543)	(78,878)
Accounts payable and accrued liabilities	128,628	(419,531)
Short-term customer deposits	(8,937)	(12,244)
Deposits in aid of construction	446,996	536,340
Deferred tax liability	-	206,782
Changes in non-cash working capital balances related to operations	<u>(25,255)</u>	<u>\$ (1,727,195)</u>
<b>Source (Use) of Cash from Operating Activities</b>	<u>879,942</u>	<u>(404,046)</u>
<b>Investing Activities</b>		
Deferred contributions in aid of construction	(136,800)	282,371
Capital asset acquisitions (net of dispositions)	(1,241,511)	(2,542,523)
Non-utility capital asset disposals (acquisitions)	-	-
<b>Source (Use) of Cash from Investing Activities</b>	<u>(1,378,311)</u>	<u>(2,260,152)</u>
<b>Financing Activities</b>		
Regulatory Debits (Credits)	(390,401)	(202,864)
Customer deposits long-term	35,932	77,417
Debt	500,000	3,000,000
Deferred costs	-	(206,782)
Dividends payable	-	(275,000)
<b>Source (Use) of Cash from Financing Activities</b>	<u>145,531</u>	<u>2,392,770</u>
<b>Change in cash during period</b>	<u>(352,838)</u>	<u>(271,428)</u>
Cash, beginning of year	<u>521,647</u>	<u>\$ 793,075</u>
<b>Cash, end of the period</b>	<u>\$ 168,809</u>	<u>\$ 521,647</u>

**Exhibit B**

**Financial Statements (Buyer)**

**ERTH CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**ERTH CORPORATION**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

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Consolidated Statement of Cash Flows	8

**ERTH CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2024**

	<b>Q3</b>	<b>Dec 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable	\$ 15,935,144	\$ 15,714,359
Unbilled revenue	5,205,811	6,146,739
Materials and supplies	1,327,148	1,354,855
Prepaid expenses	1,875,224	1,752,880
Payments in lieu of income taxes receivable	<u>307,653</u>	<u>43,900</u>
<b>Total current assets</b>	<b><u>24,650,980</u></b>	<b><u>25,012,733</u></b>
<b>Non-current assets</b>		
Unrealized gain on interest rate swap	83,801	311,392
Property, plant and equipment	88,981,378	77,889,462
Intangible assets	10,147,427	10,227,179
Investment	142,151	124,521
ITC receivable	838,907	838,907
Deferred tax assets	<u>1,259,000</u>	<u>1,259,000</u>
<b>Total non-current assets</b>	<b><u>101,452,664</u></b>	<b><u>90,650,461</u></b>
<b>Total assets</b>	<b><u>126,103,644</u></b>	<b><u>115,663,194</u></b>
Regulatory balances	<u>12,087,412</u>	<u>11,797,301</u>
<b>Total assets and regulatory balances</b>	<b><u>\$138,191,056</u></b>	<b><u>\$127,460,495</u></b>

*These financial statements have been prepared by management for internal purposes only.*

**ERTH CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2024**

	<b>Q3</b>	<b>Dec 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 8,002,922	\$ 1,938,802
Accounts payable and accrued liabilities	17,804,676	16,865,387
Dividends payable	-	790,000
Due to related parties	956,677	1,760,781
Long-term debt due within one year	6,796,047	6,796,047
Customer deposits	2,405,896	2,405,896
Deferred revenue	<u>1,003,967</u>	<u>1,100,173</u>
<b>Total current liabilities</b>	<u><b>36,970,185</b></u>	<u><b>31,657,086</b></u>
<b>Non-current liabilities</b>		
Long-term debt	38,106,884	38,270,670
Post-employment benefits	1,715,200	1,715,200
Customer deposits	864,309	511,512
Deferred revenue	13,720,804	12,402,356
Deferred tax liabilities	<u>3,513,000</u>	<u>3,513,000</u>
Total non-current liabilities	<u><b>57,920,197</b></u>	<u><b>56,412,738</b></u>
<b>Total liabilities</b>	<u><b>94,890,382</b></u>	<u><b>88,069,824</b></u>
<b>Equity</b>		
Share capital	22,803,855	22,803,855
Retained earnings	19,453,467	15,339,890
Accumulated other comprehensive loss	<u>(326,475)</u>	<u>(344,106)</u>
<b>Total equity</b>	<u><b>41,930,847</b></u>	<u><b>37,799,639</b></u>
<b>Total liabilities and equity</b>	<u><b>136,821,229</b></u>	<u><b>125,869,463</b></u>
Regulatory balances	<u>1,369,827</u>	<u>1,591,032</u>
<b>Total liabilities, equity and regulatory balances</b>	<u><b>\$138,191,056</b></u>	<u><b>\$127,460,495</b></u>

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**ERTH CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	<b>Q3</b>	<b>Dec 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Sale of energy	\$ 54,295,005	\$ 61,979,007
Distribution revenue	11,494,245	14,487,272
Other	<u>16,409,336</u>	<u>22,661,919</u>
	82,198,586	99,128,198
<b>Operating expenses</b>		
Cost of power purchased	54,540,411	62,072,851
Employee salaries and benefits	10,867,921	14,501,225
Operating expenses	7,890,074	12,133,036
Depreciation and amortization	<u>3,057,812</u>	<u>4,076,755</u>
	<u>76,356,218</u>	<u>92,783,867</u>
<b>Income from operations</b>	<u>5,842,368</u>	<u>6,344,331</u>
Finance costs	<u>2,229,602</u>	<u>2,943,796</u>
<b>Income before income taxes</b>	3,612,766	3,400,535
Income tax expense	<u>10,506</u>	<u>1,015,000</u>
<b>Net income for the year</b>	<u>3,602,260</u>	<u>2,385,535</u>
Net movement in regulatory balances, net of tax	<u>511,317</u>	<u>870,612</u>
<b>Net income for the year and net movement in regulatory balances</b>	<u><b>4,113,577</b></u>	<u><b>3,256,147</b></u>
<b>Other comprehensive income</b>		
Items that will be reclassified to profit or loss:		
Change in fair value of investments	17,631	4,003
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefits	-	(83,600)
Tax on remeasurements	-	21,000
Net movement in regulatory balances, net of tax	<u>-</u>	<u>(15,000)</u>
<b>Other comprehensive income</b>	<u>17,631</u>	<u>(73,597)</u>
<b>Total comprehensive income for the year</b>	<u><b>\$ 4,131,208</b></u>	<u><b>\$ 3,182,550</b></u>

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**ERTH CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance at January 1, 2023</b>	\$22,803,855	\$12,873,743	\$ (270,509)	\$35,407,089
Net income and net movement in regulatory balances	-	3,256,147	-	3,256,147
Other comprehensive income	-	-	(73,597)	(73,597)
Dividends	-	(790,000)	-	(790,000)
<b>Balance at December 31, 2023</b>	<u>\$22,803,855</u>	<u>\$15,339,890</u>	<u>\$ (344,106)</u>	<u>\$37,799,639</u>
 <b>Balance at January 1, 2024</b>	 \$22,803,855	 \$15,339,890	 \$ (344,106)	 \$37,799,639
Net income and net movement in regulatory balances	-	4,113,577	-	4,113,577
Other comprehensive income (loss)	-	-	17,631	17,631
<b>Balance at September 30, 2024</b>	<u>\$22,803,855</u>	<u>\$19,453,467</u>	<u>\$ (326,475)</u>	<u>\$41,930,847</u>

*These financial statements have been prepared by management for internal purposes only.*

**ERTH CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	<b>Q3 2024</b>	<b>Dec 31, 2023</b>
<b>Operating activities</b>		
Net income and net movement in regulatory balances	\$ 4,113,577	\$ 3,256,147
Adjustments for:		
Depreciation and amortization	3,057,812	4,076,755
Amortization of deferred revenue	(185,107)	(218,070)
Post-employment benefits	-	15,800
Gain on sale of property, plant and equipment	(9,598)	(61,610)
Gain on purchase price adjustment	-	(39,375)
Net finance costs	2,229,602	2,943,796
Income tax expense	<u>10,506</u>	<u>1,015,000</u>
	9,216,792	10,988,443
<b>Changes in non-cash operating working capital:</b>		
Accounts receivable	(220,784)	(851,829)
Unbilled revenue	940,928	174,585
Materials and supplies	27,707	86,466
Prepaid expenses	(122,344)	(533,854)
Accounts payable and accrued liabilities	939,289	(1,697,605)
Deferred revenue	(96,206)	405,672
Due to related parties	(804,104)	554,165
Customer deposits	<u>352,797</u>	<u>228,055</u>
	<u>1,017,283</u>	<u>(1,634,345)</u>
Regulatory balances	(511,317)	(855,612)
Income tax received (paid)	<u>(274,259)</u>	<u>(490,327)</u>
<b>Net cash from operating activities</b>	<u>9,448,499</u>	<u>8,008,159</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(13,853,722)	(7,911,921)
Proceeds on sale of property, plant and equipment	106,961	65,903
Purchase of intangible assets	<u>(313,617)</u>	<u>(9,081)</u>
<b>Net cash used by investing activities</b>	<u>(14,060,378)</u>	<u>(7,855,099)</u>
<b>Financing activities</b>		
Dividends	(790,000)	(920,000)
Contributions received from customers	1,503,555	1,945,209
Finance costs	(2,002,011)	(2,826,237)
Proceeds from issuance of long-term debt	794,456	5,829,540
Proceeds from issuance of finance leases	55,041	203,004
Repayment of long-term debt	(795,374)	(1,208,355)
Repayment of finance leases	<u>(217,908)</u>	<u>(172,220)</u>
<b>Net cash from (used by) financing activities</b>	<u>(1,452,241)</u>	<u>2,850,941</u>
Change in cash (bank indebtedness)	(6,064,120)	3,004,001
Bank indebtedness, beginning of year	<u>(1,938,802)</u>	<u>(4,942,803)</u>
<b>Bank indebtedness, end of year</b>	<u>\$ (8,002,922)</u>	<u>\$ (1,938,802)</u>

*These financial statements have been prepared by management for internal purposes only.*

**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**1. Reporting entity**

ERTH Corporation (the "Corporation") is a holding company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Ingersoll. The address of the Corporation's registered office is 143 Bell Street, PO Box 157 Ingersoll ON (Canada) N5C 3K5.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

**2. Basis of presentation**

These financial statements have been prepared for submission with the Corporation's income tax returns only and as such may not be suitable for another purpose. The basis of accounting applied in the preparation of the financial information is on the historical cost basis, reflecting cash transactions with the addition of adjustments for accrued liabilities, post-employment benefits, taxes, deferred revenues and accrual of gains/losses on interest rate swaps. Property, plant and equipment and intangibles assets are depreciated and amortized over their estimated useful lives.

**3. Bank indebtedness**

The Corporation has available to its use a revolving operating loan in the amount of \$12,000,000 bearing interest at Canadian Commercial Bank Prime less 0.25%. The amount drawn on the facility totals \$6,814,300 at December 31, 2024 (2023 - \$6,045,547).

The loan is secured by a first position General Security Agreement covering all the Corporations' current and future assets. In addition, guarantees have been given by various subsidiary companies.

Under the terms of the credit facility the Corporation is required to satisfy certain restrictive covenants as to its financial ratios. At December 31, 2024 the Corporation is in compliance with these restrictive covenants.

**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**4. Property, plant and equipment**

	Land and building	Furniture and equipment	Other	Total
<i>Cost or deemed cost</i>				
Balance at January 1, 2024	\$ 5,786,643	\$ 279,764	\$ 359,643	\$ 6,426,050
Additions	-	6,116	-	6,116
Balance at June 30, 2024	<u>\$ 5,786,643</u>	<u>\$ 285,880</u>	<u>\$ 359,643</u>	<u>\$ 6,432,166</u>
Balance at January 1, 2023	\$ 5,813,643	\$ 337,547	\$ 359,643	\$ 6,510,833
Additions	-	11,709	-	11,709
Transfers	(27,000)	27,000	-	-
Disposals/retirements	-	(96,492)	-	(96,492)
Balance at December 31, 2023	<u>\$ 5,786,643</u>	<u>\$ 279,764</u>	<u>\$ 359,643</u>	<u>\$ 6,426,050</u>
<i>Accumulated depreciation</i>				
Balance at January 1, 2024	\$ 3,367,038	\$ 126,018	\$ 85,716	\$ 3,578,772
Depreciation	167,246	31,863	26,812	225,921
Balance at June 30, 2024	<u>\$ 3,534,284</u>	<u>\$ 157,881</u>	<u>\$ 112,528</u>	<u>\$ 3,804,693</u>
Balance at January 1, 2023	\$ 3,144,044	\$ 177,138	\$ 49,752	\$ 3,370,934
Depreciation	223,250	45,115	35,964	304,329
Disposals/retirements	(256)	(96,235)	-	(96,491)
Balance at December 31, 2023	<u>\$ 3,367,038</u>	<u>\$ 126,018</u>	<u>\$ 85,716</u>	<u>\$ 3,578,772</u>
<i>Carrying amounts</i>				
At June 30, 2024	\$ 2,252,359	\$ 127,999	\$ 247,115	\$ 2,627,473
At December 31, 2023	<u>2,419,605</u>	<u>153,746</u>	<u>273,927</u>	<u>2,847,278</u>

**5. Intangible assets**

	Computer software	Goodwill	Total
<i>Cost or deemed cost</i>			
Balance at January 1, 2024	\$ 437,104	\$ 100,000	\$ 537,104
Balance at June 30, 2024	<u>\$ 437,104</u>	<u>\$ 100,000</u>	<u>\$ 537,104</u>
Balance at January 1, 2023	\$ 447,397	\$ 100,000	\$ 547,397
Additions	2,632	-	2,632
Disposals/retirements	(12,925)	-	(12,925)
Balance at December 31, 2023	<u>\$ 437,104</u>	<u>\$ 100,000</u>	<u>\$ 537,104</u>
<i>Accumulated depreciation</i>			
Balance at January 1, 2024	\$ 308,440	\$ 23,333	\$ 331,773
Depreciation	27,483	-	27,483
Balance at June 30, 2024	<u>\$ 335,923</u>	<u>\$ 23,333</u>	<u>\$ 359,256</u>
Balance at January 1, 2023	\$ 282,596	\$ 23,333	\$ 305,929
Depreciation	25,844	-	25,844
Balance at December 31, 2023	<u>\$ 308,440</u>	<u>\$ 23,333</u>	<u>\$ 331,773</u>
<i>Carrying amounts</i>			
At June 30, 2024	\$ 101,181	\$ 76,667	\$ 177,848
At December 31, 2023	<u>128,664</u>	<u>76,667</u>	<u>205,331</u>

*These financial statements have been prepared by management for internal purposes only.*

**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**6. Investments**

The Corporation holds 1,426 common shares of Sunlife Financial with a fair value at December 31, 2024 of \$111,870 (2023 - \$97,995).

The Corporation holds all the issued and outstanding Common shares of ERTH Limited with a value at December 31, 2024 of \$2,099,187 (2023 - \$2,099,187).

The Corporation holds all the issued and outstanding Common shares of ERTH Power Corporation with a value at December 31, 2024 of \$21,176,948 (2023 - \$21,176,948).

**7. Deferred tax**

Significant components of the Corporation's deferred tax balances

	<b>2024</b>	<b>2023</b>
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ 65,000	\$ 65,000
Non-capital loss carryforward	10,000	10,000
Post-retirements benefit obligation	33,000	33,000
Other	<u>(88,000)</u>	<u>(88,000)</u>
	<u>\$ 20,000</u>	<u>\$ 20,000</u>

**8. Long-term debt**

	<b>2024</b>	<b>2023</b>
Term loans (a)	\$ 14,002,324	\$ 14,002,324
Shareholder notes (b)	597,889	597,889
Bankers acceptances' (c)	<u>6,791,732</u>	<u>7,225,060</u>
	21,391,945	21,825,273
Less: current portion	<u>649,992</u>	<u>649,992</u>
	<u>\$ 20,741,953</u>	<u>\$ 21,175,281</u>

**(a) Terms loans**

The Corporation has available for its use, a prime plus 0.25% revolving term loan facility of \$16,000,000 (2023 - \$16,000,000). The term loan facility exists on a revolving basis with no fixed maturity date and interest payable monthly. Security on the loan is described in note 3.

The Corporation entered into an interest rate swap agreement on a notional principal of \$5,000,000 maturing January 23, 2028. The swap held with the Bank of Nova Scotia and is a floating rate swap from February 18, 2021 to January 22, 2022 then a receivable variable, pay fixed swap from January 23, 2022 to January 23, 2028. The interest rate swap agreement is in a net favourable position of \$200,649 (2023 - \$350,623) as at December 31, 2022. The associated unrealized gains are included in the statement of operations in note 12. This agreement has effectively converted variable interest rates on the unsecured Bankers Acceptances to an effective fixed interest rate 1.67% from January 23, 2022 to January 23, 2028, plus stamping fee of 1.00% for an all-in rate of 2.67% as disclosed in note 12. On maturity, the debt will return to the floating rate defined in the term loan.

*These financial statements have been prepared by management for internal purposes only.*

**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**8. Long-term debt (continued)**

(b) Shareholder notes

The shareholder notes represents amounts owing to the municipal shareholders of ERTH Corporation for purchase of the respective Municipality's Hydro Electric Commission's net assets. The rate of interest is currently 7.25% and is set by the Board of Directors, from time to time. There are no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called. The principal amounts are convertible at the option of the Corporation into Class B shares. The loan is secured by a second position General Security Agreement covering accounts receivable, inventory and equipment, including motor vehicles.

The amounts owing to the municipalities are as follows:

	<b>2024</b>	<b>2023</b>
Aylmer	\$ 126,060	\$ 126,060
Central Elgin	59,981	59,981
East-Zorra Tavistock	42,326	42,326
Ingersoll	253,040	253,040
Norwich	56,807	56,807
South-west Oxford	14,285	14,285
Zorra	<u>45,390</u>	<u>45,390</u>
	<u>\$ 597,889</u>	<u>\$ 597,889</u>

(c) Bankers acceptances'

The bankers acceptance note is payable in the amount of \$6,791,732 (2023 - \$7,225,060) with monthly installments of \$54,166 plus interest at prime plus 0.25%, maturing January 2025.

The Corporation entered into an interest rate swap agreement on a notional principal of \$5,000,000 maturing May 29, 2027. The swap held with the Bank of Nova Scotia and is a floating rate swap from May 30, 2022 to June 29, 2022 then a receivable variable, pay fixed swap from June 29, 2022 to May 29, 2027. The interest rate swap agreement is in a net unfavourable position of \$116,848 (2023 - nil) as at December 31, 2022. The associated unrealized losses are included in the statement of operations in note 12. This agreement has effectively converted variable interest rates on the unsecured Bankers Acceptances to an effective fixed interest rate 3.91% from June 29, 2022 to May 29, 2027, plus stamping fee of 1.00% for an all-in rate of 4.91% as disclosed in note 12. On maturity, the debt will return to the floating rate defined in the term loan.

Security on the loan is described in note 3.

**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**9. Share capital**

Authorized

Unlimited number of Class "A" voting shares without nominal or par value.

Unlimited number of Class "B" non-voting shares without nominal or par value, redeemable, with non-cumulative dividend entitlements.

	<b>2024</b>	<b>2023</b>
Issued capital		
9 Class "A" shares	\$ 9	\$ 9
27,092,997 Class "A" shares	<u>22,803,846</u>	<u>22,803,846</u>
	<u>\$ 22,803,855</u>	<u>\$ 22,803,855</u>

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

Dividends on Class "B" shares in the amount of \$- (\$- per share), (2023 - \$790,000 (\$0.029 per share)) were declared but not paid during the year.

**10. Employee salaries and benefits**

	<b>2024</b>	<b>2023</b>
Salaries, wages and benefits	\$ 1,785,022	\$ 1,932,084
CPP and EI remittances	39,739	43,545
Contributions to OMERS	129,046	238,403
Post-employment benefit plans	-	5,700
	<u>\$ 1,953,807</u>	<u>\$ 2,219,732</u>

**11. Administrative expenses**

	<b>2024</b>	<b>2023</b>
Consulting	\$ 18,426	\$ 165,963
Subcontractors	8,500	8,967
Office administration	94,305	129,791
Community relations	141,406	203,028
Other	53,393	68,245
	<u>\$ 316,030</u>	<u>\$ 575,994</u>

**12. Finance costs**

	<b>2024</b>	<b>2023</b>
Finance income		
Finance costs		
Interest expense on long-term debt	\$ 726,532	\$ 1,394,560
Shareholder note interest	32,510	43,347
Unrealized loss on interest rate swap	227,591	117,559
Overdraft and other bank charges	241,122	72,674
	<u>1,227,755</u>	<u>1,628,140</u>
Finance costs recognized in profit or loss	<u>\$ 1,227,755</u>	<u>\$ 1,628,140</u>

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**ERTH CORPORATION**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

**13. Related party transactions**

(a) Outstanding balances with related parties

The following represent due from/to in the normal course of operations:

	<b>2024</b>	<b>2023</b>
Due from:		
ERTH (Holdings) Inc.	\$ 156,886	\$ 1,437
ERTH Power Corporation	245,990	29,983
ERTH Business Technologies Inc.	371	298
ERTH Community Power One LP	172	-
ERTH Limited	<u>8,855,489</u>	<u>8,855,489</u>
	<u>\$ 9,258,908</u>	<u>\$ 8,887,207</u>
	<b>2024</b>	<b>2023</b>
Due to:		
ERTH (Holdings) Inc.	\$ -	\$ 145,208
ERTH Power Corporation	369	97,988
ERTH Business Technologies Inc.	<u>1,380</u>	<u>73,978</u>
	<u>\$ 1,749</u>	<u>\$ 317,174</u>

The transactions between the Corporation and its related parties are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties, unless otherwise noted.

**13. Related party transactions (continued)**

(b) Outstanding demand promissory notes with related parties

The following represents loans to related parties

	<b>2024</b>	<b>2023</b>
Due from:		
ERTH (Holdings) Inc.	\$ 2,000,000	\$ 2,000,000
ERTH Power Corporation	10,000,000	10,000,000
ERTH Business Technologies Inc.	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$14,000,000</u>	<u>\$14,000,000</u>

The above notes bear interest at a rate of 7.25% and are unsecured. There are no fixed repayment terms associated with the principal outstanding and not principal amounts are anticipated to be paid over the next thirteen months.

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**Exhibit C**

**Promissory Note**

FOR VALUE RECEIVED, EARTH Corporation (the "Corporation") hereby promises to pay to or to the order of The Corporation of the Town of Tillsonburg (the "Holder") the principal sum (the "Principal") of Two Million Five Hundred and Twenty Four Thousand and Thirty Eight dollars (\$2,524,038.00) at an interest rate of 7.25%, on a date which is no later than eighteen (18) months from the date of demand in writing by the Holder (the "Maturity Date").

Capitalized terms used and not otherwise defined herein have the respective meanings set out in Schedule "A".

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Interest Rate calculated quarterly not in advance. Interest at the Interest Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Interest Rate shall be payable in quarterly instalments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Holder may elect to waive payment of interest in its sole discretion.

The Principal is convertible at the option of the Corporation into fully paid and non-assessable Class B Shares in the capital of the Corporation as presently constituted at the Conversion Price all subject to the terms and conditions set forth in Schedule "B". Upon such conversion the Holder shall surrender this Promissory Note to the Corporation at its principal offices.

The right is reserved to the Corporation, subject to the terms and conditions set out in Schedule "B", to purchase this Promissory Note at any time or times by tender or by private contract.

At the option of the Corporation, on one month's prior written notice to the Holder, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Corporation.

This Promissory Note is not assignable by the Holder without the consent of the Corporation.

DATED as of the \_\_\_ Day of \_\_\_\_\_, 2026.

**ERTH CORPORATION**

By: \_\_\_\_\_  
Authorized Signing Officer

By: \_\_\_\_\_  
Authorized Signing Officer

## SCHEDULE "A"

### Definitions

**"Business Combination"** means (i) a transaction or series of transaction in which, directly or indirectly, the Corporation shall consolidate, merge with, amalgamate with or enter into a statutory agreement with , any other person (other than a wholly owned subsidiary of the Corporation) and in connection therewith , all of the outstanding Shares shall be changed in any way, reclassified or converted into or exchanged for shares or other securities of the Corporation or of any other person, or cash or any other property or (ii) a transaction or series of transaction in which, directly or indirectly, the Corporation shall sell or otherwise transfer property or assets that aggregate more than 50% of the property or assets of the Corporation or generated during the Corporation's last completed fiscal year more than 50% of the operating income or cash flow of the Corporation and its subsidiaries (taken as a whole) to any other person or persons.

**"Conversion Price"** has the meaning ascribed thereto in subsection 1(a) of Schedule "B".

**"Interest Commencement Date"** means the earlier of (i) the date that the Corporation is required to make payments under section 93 of the *Electricity Act, 1998* and (ii) the date that is designated by the board of directors of the Corporation as such date.

**"Interest Rate"** means the interest rate payable as provided in this Promissory Note on the principal amount hereof.

## SCHEDULE "B"

### Conversion of Promissory Note

#### 1. Conversion of Promissory Note into Shares

- (a) Upon and subject to the provisions of this Schedule "B", the Corporation shall have the right, at its option, at any time and prior to the Maturity Date, to convert the whole or any part which is \$5,000.00 or an integral multiple thereof, of the principal amount of this Promissory Note into fully paid and non-assessable Class B Shares (the "Shares") of the Corporation at a conversion rate equal to a number of Shares having a fair market value of \$5,000 for each \$5,000 of principal so converted (the "Conversion Price") plus payment of accrued and unpaid interest in respect of the principal so converted up to and including the date of such conversion. The Holder of this Promissory Note shall upon the exercise of the Corporation's right of conversion surrender such Promissory Note to the Corporation and the Corporation shall cancel the same and shall, without expense to the Holder, forthwith certify and deliver to the Holder certificate(s) representing fully paid and non-assessable Shares as provided in this subsection (a).
- (b) The right of conversion pursuant hereto shall extend only to the maximum number of whole Shares into which the aggregate principal amount of this Promissory Note may be

converted in accordance with the provisions of subsection (a). Fractional interests in Shares shall be adjusted for in the manner provided herein.

- (c) In case of the reclassification of the Shares at any time outstanding (other than any subdivision or consolidation of Shares into a greater or lesser number of Shares) or change of the Shares into other shares, or in case of a Business Combination of the Debtor (other than a Business Combination which does not result in a reclassification of the outstanding Shares or a change of the Shares into other shares), the Holder if it shall thereafter be converted in whole or in part shall be entitled to receive, and shall accept, in lieu of the number of Shares to which it was theretofore entitled upon such conversion, the kind and amount of shares and other securities or property which such Holder would have been entitled to receive as a result of such Business Combination if on the effective date thereof, it had been the registered holder of the number of Shares to which it was theretofore entitled upon conversion. If necessary, appropriate adjustments shall be made in the application of the provisions set forth in this Schedule "B" with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Schedule "B" shall thereafter correspondingly be made applicable as nearly as may be possible in relation to any shares or other securities or property thereafter deliverable upon the conversion of this Promissory Note. Any such adjustments shall be approved by the directors of the Corporation and shall be set forth in a notice given to the Holder and, absent manifest error, shall for all purposes be conclusively deemed to be an appropriate adjustment.

## **2. Partial Conversions**

- (a) Any part, being the lesser of the principal amount outstanding hereunder and \$5,000.00 or an integral multiple thereof, of a Promissory Note may be converted as provided in this section 2, and all references in this Promissory Note to conversion of Promissory Note shall be deemed to include conversion of any such part.
- (b) The Holder of this Promissory Note of which part only is converted shall upon the exercise of the Corporation's right of conversion surrender such Promissory Note to the Corporation and the Corporation shall cancel the same and shall, without expense to the Holder, forthwith certify and deliver to the Holder a new Promissory Note in an aggregate principal amount equal to the unconverted part of the principal amount of the Promissory Note so surrendered.

## **3. Adjustment of Conversion Price**

- (a) If and whenever the Corporation shall (i) subdivide or re-divide the outstanding Shares into a greater number of shares; (ii) reduce, or consolidate the outstanding Shares into a smaller number of shares; (iii) issue any Shares (or securities convertible into or exchangeable for Shares) of the Corporation to the holders of all or substantially all of the outstanding Shares by way of a stock dividend, the Conversion Price and the number of Shares reserved for issuance pursuant to the conversion of the Promissory Note in effect on the effective date

of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Shares (or securities convertible into or exchangeable for Shares) by way of a stock dividend, as the case may be, shall be adjusted in the proportion which the number of Shares outstanding before such subdivision, redivision, reduction, combination, consolidation or dividend bears to the number of Shares outstanding after such subdivision, redivision, reduction, combination, consolidation or dividend. Any such issue of Shares by way of a stock dividend shall be deemed to have been made on the record date fixed for such stock dividend for the purpose of calculating the number of outstanding Shares under this subsection (a) and, in the case where securities convertible into or exchangeable for Shares are distributed, shall include the number of Shares that would have been outstanding had such securities been converted into Shares on such record date.

- (b) No adjustment in the Conversion Price or in the number of Shares issuable upon conversion of this Promissory Note will be made in respect of any event described in this section 3 and no distribution shall be made (other than any distributions constituting dividends paid in the ordinary course) to all or substantially all the holders of its outstanding Shares of (I) shares of the Corporation of any class other than Shares; or (ii) rights, options or warrants or other securities of the Corporation which are convertible into or exchangeable for Shares; or (iii) evidences of its indebtedness; or (iv) property or other assets of the Corporation, unless the Holder is entitled to participate in such event on the same terms *mutatis mutandis*, as if it had converted this Promissory Note prior to or on the record date or effective date of such event.
- (c) The adjustments provided for in this section 3 are cumulative, shall in the case of adjustments to the Conversion Price be computed to the nearest one-tenth of one cent and shall apply to successive submissions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this section 3. Notwithstanding any other provision of this section 3, no adjustment of the Conversion Price shall be required in respect of any such event unless such adjustment would require an increase or decrease of at least one per cent in the Conversion Price then in effect. Any adjustments which by reason of the preceding sentence of this subsection 3(c) are not required to be made shall be carried forward and taken into account on any subsequent adjustment.
- (d) If any questions arise with respect to the adjustments provided in this section 3, such questions shall be determined by the Auditor as that term is defined in the Shareholders Agreement among the Corporation, its affiliates, the Corporation of the Township of Norwich, the Corporation of the Township of Zorra, the Corporation of the Township of East Zorra-Tavistock, the Corporation of the Township of South-West Oxford, The Corporation of the Town of Ingersoll, the Corporation of the Town of Aylmer and the Corporation of the Municipality of Central Elgin dated as of August 31, 2000. Such Auditor shall have for such purposes reasonable access during normal business hours to all necessary records of the Corporation and such determination absent manifest error, shall be binding upon the Corporation and the Holder.

#### **4. No Requirement to Issue Fractional Shares**

- (a) The Corporation shall not be required to issue fractional Shares upon the conversion of this Promissory Note pursuant to this Schedule "B". If any fractional interest in a Share would, except for the provisions of this section 4, be deliverable upon the conversion of any principal amount of this Promissory Note, the Corporation shall, in lieu of delivering any certificates of such fractional interest, satisfy such fractional interest by paying the Holder of such surrendered Promissory Note an amount of lawful money of Canada equal (computed to the nearest whole cent, and one-half of a cent being rounded up) to the appropriate fraction of the value of a Share on the basis of the Conversion Price.

**Exhibit D**

**Shareholder Agreement and Accession Agreement**

**SHAREHOLDERS' AGREEMENT**

**BETWEEN:**

**Corporation of the Township of Norwich**

**- and -**

**Corporation of the Township of Zorra**

**- and -**

**Corporation of the Township of East Zorra-Tavistock**

**- and -**

**Corporation of the Township of South-West Oxford**

**- and -**

**Corporation of the Town of Ingersoll**

**- and -**

**Corporation of the Town of Aylmer**

**- and -**

**Corporation of the Municipality of Central Elgin**

**- and -**

**Such other persons as may become shareholders in Erie Thames Power Corporation**

**- and -**

**Erie Thames Power Corporation**

## SHAREHOLDERS' AGREEMENT

**THIS AGREEMENT** made as of the 31<sup>st</sup> day of August, 2000, and amended as of the 22<sup>nd</sup> day of April, 2008.

### **B E T W E E N:**

Corporation of the Township of Norwich (hereinafter called "**Norwich**")

- and -

Corporation of the Township of Zorra (hereinafter called "**Zorra**")

- and -

Corporation of the Township of East Zorra-Tavistock (hereinafter called "**East Zorra-Tavistock**")

- and -

Corporation of the Township of South-West Oxford (hereinafter called "**South-West Oxford**")

- and -

Corporation of the Town of Ingersoll (hereinafter called "**Ingersoll**")

- and -

Corporation of the Town of Aylmer (hereinafter called "**Aylmer**")

- and -

Corporation of the Municipality of Central Elgin (hereinafter called "**Central Elgin**")

(collectively, Norwich, Zorra, East Zorra-Tavistock, South-West Oxford, Ingersoll, Aylmer and Central Elgin are hereinafter called the "**Initial Shareholders**")

- and -

Such other persons as may from time to time become Shareholders in the Corporation and Parties to this Agreement (hereinafter the "**Additional Shareholders**")

- and -

Erie Thames Power Corporation (hereinafter called the "**Corporation**")

**WHEREAS:**

1. The Corporation was incorporated by the Initial Shareholders for the purposes set out, and in accordance with, Section 142 of the *Electricity Act, 1998* (Ontario);
2. The Shareholders desire to carry on (i) the business of the distribution of electricity through a Wholly-Owned Subsidiary of the Corporation, namely Erie Thames Powerlines Corporation, and (ii) the business of marketing and selling associated products and services through Wholly-Owned Subsidiaries and/or Partially-Owned Subsidiaries of the Corporation;
3. The authorized capital of the Corporation consists of an unlimited number of Class A Voting shares and an unlimited number of Class B shares;
4. It is intended that issued capital of the Corporation consist of a number of Class A Voting shares equal to the number of Shareholders;
5. The rights, privileges and restrictions attaching to the Class A Voting shares provide that the holders of such shares shall be entitled to one vote in respect of each Class A Voting share at all meetings of Shareholders;
6. The rights, privileges and restrictions attaching to the Class B shares provide that the holders of such shares shall not be entitled to vote at meetings of shareholders except in limited circumstances provided for in the *Business Corporations Act*;
7. The Shareholders and the Corporation have agreed to enter into this Agreement providing for certain arrangements for the ongoing operation and control of the Corporation and providing for certain restrictions on, and arrangements respecting, dealings with shares of the Corporation which are issued and outstanding from time to time;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

**ARTICLE 1  
DEFINITIONS AND INTERPRETATION**

**1.1 Definitions.**

In this Agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) "Act" means the *Business Corporations Act* (Ontario), and unless otherwise indicated, means such Act as amended and re-enacted from time to time;

- (b) **"Affiliate"** has the meaning ascribed thereto in the Act;
- (c) **"Accession Agreement"** means an agreement in the form of Schedule 1 hereto which has the effect of making a person (i) bound to each other person who is then bound by this Agreement by all the obligations by which the Shareholders that are a Party are or would be bound and (ii) subject to all the restrictions to which the Shareholders that are a Party are or would be bound;
- (d) **"Agreement"** means this Agreement and all schedules attached hereto, and includes any and every agreement made at any time (whether past, present or future) which amends or supplements or restates this Agreement or any of its terms;
- (e) **"Articles of Incorporation"** has the meaning ascribed thereto in the Act;
- (f) **"Auditor"** means the auditor designated pursuant to section 4.2;
- (g) **"Board"** or **"Board of Directors"** means the board of directors of the Corporation as elected by the shareholders from time to time (individual members of the Board will hereinafter be referred to **"Directors"**);
- (h) **"Business Day"** means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;
- (i) **"Business Plan"** means the annual business plan of the Corporation approved by the Board as provided herein;
- (j) **"Class A Voting Share"** means a Class A Voting share in the capital of the Corporation;
- (k) **"Class B Share"** means a Class B share in the capital of the Corporation;
- (l) **"Control"** has the meaning ascribed thereto in the Act;
- (m) **"Council"** means, at any time, the Municipal Councils at such time of the municipal Shareholders;
- (n) **"GAAP"** means Canadian generally accepted accounting principles;
- (o) **"Insolvency Event"** has the meaning ascribed thereto in section 6(a);
- (p) **"Partially-Owned Subsidiary"** means a Subsidiary of the Corporation, the shares of which are held by the Corporation and an unrelated third party or parties;

- (q) **"Party" or "Parties"** means a party or parties to this Agreement including any person that becomes bound by this Agreement as provided herein;
- (r) **"Prime Rate"** means, for and in relation to any particular day in a calendar month, the variable rate of interest, expressed as a rate per annum, equal to the rate of interest determined by the principal bank of the Corporation (hereinafter in this section referred to as the **"Bank"**) as, or commonly known as, its prime rate of interest effective for the first day in such calendar month for Canadian dollar loans made by the Bank in Canada from time to time, being a variable per annum reference rate of interest adjusted automatically upon change by the Bank;
- (s) **"Promissory Note"** means a promissory note due and payable bearing interest at a rate of 7.25% or, for promissory notes issued or reissued after the date first written above, not to exceed the maximum interest rate as set from time to time by the Ontario Energy Board, calculated and payable quarterly;
- (t) **"Share"** means a share of any class in the capital of the Corporation;
- (u) **"Shareholders"** means, at any time, a person that is a party to this Agreement that is bound by this Agreement at the time and holds one or more Shares at the time or a person that becomes bound by this Agreement at any time and is bound by this Agreement at the time and holds one or more Shares at the time, and shall include the Initial Shareholders, together with any Additional Shareholders, collectively and **"Shareholder"** means any one of such persons individually;
- (v) **"Shareholder Special Approval"** means, with respect to any matter, the approval of such matter by Shareholders by:
  - (i) a resolution passed at a duly constituted meeting of the Shareholders by the favourable vote of Shareholders holding in the aggregate not less than sixty-six and two-thirds per cent (66.6%) of the total number of Class A Voting Shares held by all Shareholders in attendance at such meeting; or
  - (ii) one or more instruments in writing which shall have been signed by all of the Shareholders,and any Shareholder Special Approval given by resolution as aforesaid shall become effective on the day on which such resolution is duly passed and any Shareholder Special Approval given by one or more instruments in writing as aforesaid shall become effective on the Effective Date shown in such one or more instruments;
- (w) **"Share Proportion"** of a Shareholder (determined in relation to one or more particular Shareholders) as at any time means, with respect to a class of shares, the number obtained when the number of shares of a given class held by the Shareholder

as at such time is divided by the total number of shares of each class held by such one or more particular Shareholders as at such time;

- (x) **"Subsidiary"** has the meaning ascribed thereto in the Act; and
- (y) **"Wholly-Owned Subsidiary"** means a Subsidiary of the Corporation, the shares of which are held solely, directly or indirectly, by the Corporation.

## 1.2 Interpretation.

- (a) The division of this Agreement into Articles and Sections and the insertion of of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.
- (b) Words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa* and words importing persons shall include individuals, partnerships, association, trusts, unincorporated organizations and corporations and *vice versa*. Reference to any one or more Parties shall be deemed to include a reference to the respective heirs, executors, administrators, legal representatives, successors and permitted assigns of each such Party.
- (d) Unless otherwise specifically provided or the Shareholders otherwise agree in writing:
  - (i) all references herein to dollar amounts are in Canadian funds.
  - (ii) each reference herein to a time or contemplates a time refers to Ontario time.
  - (iii) in applying this Agreement in relation to any transaction, occurrence, event or matter, each term and each expression defined in this Agreement shall be construed and applied using the meaning in effect for such term or expression as at the time immediately before the time of such transaction, occurrence, event or matter.

**1.3 Schedules.**

The following are the Schedules attached hereto and incorporated by reference and deemed to be a part hereof:

- Schedule 1 - Accession Agreement
- Schedule 2 - Determination of Fair Market Value

**1.4 Unanimous Shareholder Agreement.**

Each of the Parties hereby acknowledges and agrees that this Agreement is intended to operate and be construed as a unanimous shareholder agreement with respect to the Corporation within the meaning of the Act.

**ARTICLE 2  
BUSINESS OF THE CORPORATION**

**2.1 Business of the Corporation.**

The parties acknowledge that the businesses which they intend that the Corporation and/or its Subsidiaries will carry on include the following:

- (a) the business of distributing electricity;
- (b) the business of holding shares in corporations that distribute electricity and/or market and sell associated products and services; and/or
- (c) subject to the terms of this Agreement, such other businesses as are permitted under applicable legislation.

**ARTICLE 3  
CONTRIBUTIONS OF THE SHAREHOLDERS**

**3.1 Credit Facilities.**

Each Shareholder shall cooperate with the Corporation to facilitate the establishment by the Corporation of such credit facilities as the Board from time to time determine to be necessary or desirable for the conduct of the business of the Corporation or its Subsidiaries.

**3.2 Ongoing Financing.**

Subject to any restrictions on Shareholders contained in applicable laws, if the Board of Directors determine at any time that:

- (a) the Corporation requires an amount of money to enable the Corporation in the following six (6) months,
  - (i) to carry on its business as contemplated in the then current budget approved by the Board of Directors, or
  - (ii) to pay its liabilities as they become due, and
- (b) the amount required by the Corporation exceeds the funds and credit available to the Corporation from its usual sources of financing (the amount of the excess being hereinafter referred to as the "**Required Amount**"),

the Corporation may request that the Shareholders provide the Required Amount by giving all Shareholders written notice (hereinafter referred to as the "**Loan Notice**") wherein each Shareholder is requested to advance to the Corporation, by way of a loan (hereinafter referred to as a "**Shareholder Loan**") bearing interest at the Prime Rate plus one per cent (1%) both before and after default calculated monthly and repayable within one hundred and eighty (180) days of demand by the advancing Shareholders, an amount equal to the amount obtained when the Required Amount is multiplied by the Share Proportion of the Shareholder. Within thirty (30) days after receiving the Loan Notice, each Shareholder shall advance to the Corporation a Shareholder Loan in accordance with the Loan Notice. All or any portion of an amount that is to be advanced by a Shareholder may be advanced by an Affiliate of such Shareholder that is also a Shareholder and a Party to this Agreement.

If, thirty (30) days after receiving the Loan Notice, a Shareholder (hereinafter referred to as a "**Defaulting Shareholder**") has failed to advance all or any portion of its Shareholder Loan in accordance with the Loan Notice, then, at any time before the Defaulting Shareholder advances such amount, the amount which has not been advanced by or in respect of the Defaulting Shareholder may be advanced by any one or more other Shareholders (any such Shareholder that advances an amount in respect of the Defaulting Shareholder being referred to as a "**Supporting Shareholder**"). An amount advanced by a Supporting Shareholder in respect of a Defaulting Shareholder shall be a loan of such amount from the Supporting Shareholder to the Defaulting Shareholder which shall bear interest at the Prime Rate plus four per cent (4%) per annum calculated monthly and shall be payable on demand (hereinafter referred to in this section as a "**Supporting Shareholder Loan**").

Each Shareholder hereby agrees that if all or a portion of a Shareholder Loan becomes repayable by the Corporation to a Defaulting Shareholder at any time when the Defaulting Shareholder still owes any amount in respect of one or more Supporting Shareholder Loans, the Corporation shall pay to such Supporting Shareholders the amounts payable pursuant to such Supporting Shareholder Loans and each Shareholder hereby irrevocably authorizes and directs the Corporation to do so, and any sums owing to the Supporting Shareholder by the Defaulting Shareholder pursuant to one or more Supporting Shareholder Loans shall be reduced by such amounts paid by the Corporation. The Parties acknowledge that any payments made to a

Supporting Shareholder as described in this paragraph shall be set off against any amounts owing to a Defaulting Shareholder by the Corporation in accordance with one or more Shareholder Loans.

#### **ARTICLE 4 OPERATION AND CONTROL OF THE CORPORATION AND SUBSIDIARIES**

##### **4.1 Operation and Control.**

The parties hereto shall cause such meetings of the Board and the Shareholders to be held, votes to be cast, resolutions to be passed, by-laws to be passed, documents to be executed and all things and acts to be done to ensure the following continuing arrangements with respect to the operation and control of the Corporation:

(1) The Board shall be composed of a number of members equal to the number of Shareholders holding Class A Voting Shares. Subject to the provisions of the Act, each Shareholder shall be entitled, by notice to the Corporation and the other Shareholders, to designate a nominee for election or appointment to the Board, for a minimum term of one year, or to remove the Director appointed by it (subject to the minimum term described above.) The Corporation and the Shareholders shall act diligently and promptly to take such actions as are necessary in order that, at any time, the Board includes the then latest nominee designated by one Shareholder in accordance with this paragraph for election or appointment to the Board except for any such nominee as is not ready, willing or able to serve as a Director.

(2) A quorum for a meeting of the Board or a Board committee shall be comprised of sixty-six per cent (66%) of the Directors.

(3) Except as otherwise provided herein, any resolution of the Board shall only be validly passed and effective if, at a duly constituted meeting of the Board, such resolution receives the affirmative vote of at least a majority of the Directors participating in the meeting.

(4) No person shall have a second or casting vote in any circumstances at any meeting of the Board or the Shareholders.

(5) All written contracts made, and all cheques and negotiable instruments made or issued by the Corporation, shall be signed by such one or more directors or officers of the Corporation as are from time to time designated or authorized to do so by the by-laws of the Corporation or by a resolution duly passed by the Directors.

(6) Each of the following shall require Shareholder Special Approval,

(a) any change in the number of Directors;

- (b) the Corporation entering into an undertaking inconsistent with the operations of the Corporation contemplated in section 2.1 including, without limitation, retailing electricity;
- (c) any borrowing on the credit of the Corporation if the debt incurred would exceed twenty-five per cent (25%) of the debt provided in Business Plan for the applicable fiscal year;
- (d) the issuance, sale or pledge of any debt obligations of the Corporation, except any promissory notes, banker's acceptances or commercial letters of credit made or issued in respect of the indebtedness from time to time of the Corporation under a line of credit contemplated in subparagraph (c);
- (e) the charge, mortgage, hypothecation, pledge or encumbrance of any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation if the debt incurred would exceed twenty-five per cent (25%) of the debt provided in the Business Plan for the applicable fiscal year;
- (f) the sale, lease, exchange or other disposal or purchase of any property of the Corporation in excess of two hundred and fifty thousand dollars (\$250,000.00) other than in the ordinary course of the business of the Corporation or as provided for in the Business Plan for the applicable fiscal year;
- (g) any amendment of the Articles of Incorporation;
- (h) any continuation of the Corporation under the laws of another jurisdiction;
- (j) the creation of any Subsidiaries by the Corporation or the acquisition by the Corporation of any shares or securities of any other corporation not in the ordinary course of business of the Corporation, unless for the purpose of short-term investments of surplus funds;
- (k) the creation or issuance of any shares, or any rights to acquire shares of the Corporation;
- (l) the taking of any proceedings with a view to the dissolution, winding-up, or termination of the corporate existence of the Corporation;

- (m) the establishment or change of any dividend policy or other policy with respect to the distribution of surplus and the declaration or payment of any dividend or other distribution on any class of shares;
- (n) the making of agreements with any of the Shareholders not in the ordinary course of business;
- (o) the acquisition of all or substantially all of the assets of any other corporation or business entity or the entering into of any amalgamation, merger, partnership or joint venture, or other combination with any other corporation or business entity by the Corporation not in the ordinary course of business of the Corporation;
- (p) the payment or declaration of any bonuses, shares of profit, retirement allowances or other such distributions to directors, officers or employees of the Corporation not in the ordinary course of business of the Corporation;
- (q) any purchase of Shares by the Corporation except as may be provided for herein and any redemption of Shares by the Corporation unless the same are required to be redeemed in accordance with the Articles of Incorporation and are being so redeemed;
- (r) any change in the financial or taxation years of the Corporation;
- (s) any change in the auditors of the Corporation;
- (t) any commitment to make any capital expenditure of more than twenty-five per cent (25%) in excess of the capital expenditure amount provided for in the Business Plan for the applicable fiscal year; and
- (u) any advance or loan by the Corporation to any person who is an officer, director or employee of the Corporation.

(7) December 31<sup>st</sup> in each calendar year shall be the end of a financial year of the Corporation and shall also be the end of a taxation year for which an applicable return shall be filed pursuant to the relevant taxation legislation.

(8) Each of the directors and officers of the Corporation shall be reimbursed by the Corporation for reasonable out-of-pocket expenses incurred in connection with his or her participation in any meetings of the Board or his or her serving as a Director. The Board shall from time to time prepare for the Shareholders recommendations with respect to remuneration in connection with each Director serving in such capacity and, following receipt of such recommendations, the Shareholders shall determine such remuneration.

(9) Meetings of the Board may be called by any Director or officer of the Corporation and shall be held at the Corporation's head office or such location determined by the Directors from time to time.

(10) Meetings of the Shareholders may be called by any Director, Shareholder or officer of the Corporation and shall be held at the Corporation's head office or such other location determined by the Shareholders or Directors from time to time.

(11) No meeting of the Shareholders or Directors shall be held unless and until the notice of the said meeting shall have been sent to all persons entitled to notice at least ten (10) Business Days before the date fixed for the holding of such meeting; provided, however, that the time for such meeting may be shortened and such notice may be waived in writing by the parties entitled thereto.

(12) Subject to the provisions of this Agreement and the Act, a decision of the Shareholders and Directors may only be evidenced by a written resolution passed at a duly constituted meeting of the Shareholders or Directors or, in lieu of a meeting, an instrument in writing (which may be in counterparts) signed by all of the Shareholders or Directors, as the case may be.

(13) Subject to Sections 4.1(11) and 4.1(12), the Parties acknowledge that decisions by a municipal Shareholder must first be approved by its Council and are, accordingly, subject to the procedures that govern such Council. The Parties agree to use good faith efforts to ensure that any matters requiring the approval of the municipal Shareholders are raised in a manner that gives due account and consideration to each Council's procedural constraints. Each municipal Shareholder agrees that it shall act diligently and promptly to take such actions as are necessary to ensure that the business of the Corporation is dealt with by its Council as expeditiously as possible.

#### **4.2 Auditor.**

The auditor of the Corporation shall be appointed and/or reappointed by the Shareholders at the Annual General Meeting.

#### **4.3 Books of Account.**

Proper books of account shall be kept by the Corporation and entries shall be made therein of all such matters, terms, transactions and things as are usually written, recorded or entered in books of account kept by corporations engaged in an enterprise of a similar nature. The books of account for the Corporation shall be kept at the principal place of business of the Corporation. Each Shareholder shall have free access at all times during normal business hours to inspect, examine or copy the books of account of the Corporation, and use the facilities of the Corporation to make copies of or take extracts from the books of account for the Corporation.

#### **4.4 Budgets.**

For each and every financial year of the Corporation, the Corporation shall prepare a budget showing, among other things, in a reasonable degree of detail the anticipated revenues, expenditures and cash flow of the Corporation for such financial year of the Corporation. The budget for any particular financial year of the Corporation shall be prepared and delivered to each Director at least thirty (30) days prior to the beginning of such financial year.

The Directors shall meet to review and discuss the budget for a financial year with a view to agreeing upon a final budget for such financial year. In the management and operation of the business, each Shareholder shall, and shall cause its nominee director to endeavour to the extent it is reasonable to do so to adhere to the final budget (as agreed upon by the Directors) for a financial year and not exceed expenditures provided for therein without prior notice to each other Shareholder.

#### **4.5 Periodic Financial Statements.**

For each quarter that commences after the last day of October, 2000 the Corporation shall prepare a financial statement which shall include statements of income, retained earnings and changes in financial position for the quarter and a balance sheet as at the end of the quarter and such statement shall be prepared in accordance with GAAP, but need not reflect accruals and adjustments ordinarily made only as at the end of a financial year. The financial statement prepared for such quarter shall be delivered to each Director within twenty-one (21) days following the end of such quarter.

#### **4.6 Application of Sections 4.1 to 4.5 to Wholly-Owned Subsidiaries.**

Unless otherwise agreed to in writing and except as provided herein, the provisions of sections 4.1 to 4.5, inclusive, shall apply to each and every Wholly-Owned Subsidiary of the Corporation; provided that in applying the provisions of such sections to any particular Subsidiary all references to the Corporation in such sections shall be read as a reference to the particular Subsidiary.

### **ARTICLE 5 TRANSFER AND DISPOSITION OF SHARES**

#### **5.1 Restriction on Transfer.**

No Shares of the Corporation or any interest therein shall be issued, sold, exchanged, transferred, disposed of, encumbered, pledged, mortgaged, hypothecated and/or given, directly or indirectly, and no agreement or commitment shall be made to do any of the same except in each case with Shareholder Special Approval or pursuant to the applicable provisions of this Agreement and any attempt to do so without such consent or not pursuant to such provisions shall be void and, because the parties hereto acknowledge the inadequacy of money damages in

such circumstances, shall be subject to specific performance and injunctive relief at the instance of the other Parties hereto.

## **5.2 Shareholder Consent.**

The Shareholders shall vote the Shares owned by them to approve as required by the Agreement any transfer of Shares.

## **5.3 Transfers to Affiliates.**

Notwithstanding section 5.1 all or, with the consent of the Board expressed by resolution, part of the Shares of a Shareholder may be transferred to an Affiliate of such Shareholder and Article 6 shall apply, *mutatis mutandis*, to such transfer.

## **5.4 Right of First Refusal.**

Subject to the provisions of sections 5.7, 5.8 and 5.9, if any Shareholder (hereinafter in this section 5.4 called the "**Offeror**") desires to sell (other than pursuant to section 5.3) all but not less than all of the Class B Shares owned by it and any Affiliate, the Offeror shall give notice (hereinafter in this section 5.4 called the "**Selling Notice**") to the other holders of Shares (hereinafter in this section 5.4 called collectively the "**Offerees**" and individually an "**Offeree**") of its intention to do so. Such Selling Notice shall set forth the number and class of the Class B Shares (hereinafter in this section 5.4 called the "**Offered Shares**") which the Offeror wishes to sell, the price per share at which the Offeror is prepared to sell the Offered Shares and any other terms and conditions, provided that such must not be contrary to the provisions of Article 6 of this Agreement, and the proposed date of sale (hereafter called the "**Sale Date**"), which shall not be less than thirty (30) days nor more than sixty (60) days after the date on which the Selling Notice is given to the Offerees. In such event, unless all the Shareholders otherwise agree, the following provisions of this section 5.4 shall govern such purchase and sale:

- (a) the Selling Notice shall be deemed to be an offer, irrevocable within the time hereinafter specified for acceptance, by the Offeror to sell the Offered Shares to the Offerees;
- (b) within thirty (30) days after receipt of the Selling Notice, each Offeree may give to the Offeror a notice of acceptance which shall set forth the number of Offered Shares which such Offeree is willing to purchase from the Offeror;
- (c) if the Offerees accepting the offer collectively are prepared to purchase all the Offered Shares, then they shall be entitled to purchase the Offered Shares as nearly as may be in proportion to the number of Class B Shares of the Corporation then held by them respectively, provided that, if any such Offeree claims less than its respective proportion, the difference in unclaimed Offered Shares shall be used to satisfy the claims of those who claim in excess of their

proportions and if the claims in excess are more than sufficient to exhaust such unclaimed Offered Shares, the unclaimed Offered Shares shall be divided *pro rata* among the Offerees desiring to purchase excess shares in proportion to their holdings of Shares of the Corporation immediately prior to the delivery of the Selling Notice, but no Offeree shall be bound to purchase any Offered Shares in excess of the number which it agreed to purchase in its notice of acceptance;

- (d) if none of the Offerees accepts the offer or the Offerees accepting the offer collectively are not prepared to purchase all of the Offered Shares, then the Offeror may sell all of the Offered Shares to any other person within sixty (60) days after the Sale Date at a price per security not less than and on terms and conditions not more favourable to such person than the price per security and the terms and conditions set forth in the Selling Notice. In the event that the Offeror does not sell the Offered Shares to such person within such sixty (60) day period, then the provisions of this Agreement shall once again apply and so on from time to time;
- (e) if the Offeror has received a bona fide offer from a third party to purchase the Offered Shares prior to the date of the Selling Notice which he wishes to accept, then a copy of such offer shall be sent to each Offeree with the Selling Notice and the terms and conditions of sale set forth in the Selling Notice shall be the same as those set forth in such offer, and the Sale Date proposed shall not be less than thirty (30) days nor more than sixty (60) days after the date on which the Selling Notice is given to each Offeree. By delivering a Selling Notice, the Offeror represents and warrants to each other Offeree that there is no direct or in direct supplementary consideration (whether or not in the nature of a tangible or intangible assets, money, property, securities or other benefits) to be received by the third party or any other person in connection with such offer and that such offer is not made as part of or in connection with any other transaction;
- (f) if the Offered Shares shall not be capable, without division into fractions, of being offered to or being divided among such Offerees in the proportions above mentioned, the same shall be offered to or divided among such Offerees as nearly as may be in the proportions hereinbefore mentioned and any balance shall be offered to or divided among such Offerees or some of them in such manner as may be determined by the Board.

## **5.5 Piggyback Rights.**

Where, after compliance with the provisions of section 5.4, any group of Shareholders desires and is entitled to sell all but not less than all of the Class B Shares held by them and each of their Affiliates to a third party and such group holds more than fifty percent (50%) of the Class A Voting Shares, then any such sale, notwithstanding the provisions of section 5.4, shall be permitted only if such third party makes an offer in writing irrevocable for forty-five (45) days to

all other Shareholders holding Class B Shares to purchase such Class B Shares held by such Shareholders or their Affiliates at the same price and upon the same terms and conditions.

#### **5.6 Buy/Sell Agreement.**

Subject to section 5.7 hereof, at any time and from time to time after the date of this Agreement the following provisions shall apply:

- (a) Any Shareholder (the "**Offering Shareholder**") may at any time make an offer in writing (the "**Purchase Offer**") to the all other Shareholders (other than Affiliates of the Offering Shareholder) (the "**Offerees**") to purchase all, but not less than all, of the Class B Shares then held by the Offeree and its Affiliates. The Purchase Offer shall specify the price per share that the Offering Shareholder making the offer is offering to pay for each Share of the Corporation then owned by the Offerees;
- (b) Each Offeree shall have forty-five (45) days from the date of receipt of a Purchase Offer to deliver a notice in writing (the "**Response Notice**") to the Offering Shareholder setting out therein, either:
  - (i) that such Offeree intends to sell its Class B Shares and those of its Affiliates to the Offering Shareholder at the price per security set out in the Purchase Offer (herein referred to as an "**Acceptance Notice**"); or
  - (ii) that such Offeree intends to purchase all of the Class B Shares owned by the Offering Shareholder and its Affiliates at the price per share set out in the Purchase Offer (herein referred to as a "**Purchase Notice**");
- (c) The following provisions shall apply with respect to Response Notices:
  - (i) if Offerees holding a majority of the Class A Voting Shares deliver an Acceptance Notice, each Offeree shall be obligated to sell all of its Class B Shares to the Offering Shareholder and the Offering Shareholder shall be obligated to purchase such Class B Shares;
  - (ii) if Offerees holding a majority of the Class A Voting Shares deliver a Purchase Notice, the Offerees shall be obligated to purchase all of the Offering Shareholder's Class B Shares *pro rata* based on their respective holdings of Class B Shares. If the said Class B Shares shall not be capable, without division into fractions, of being divided among such Offerees in the proportions above-mentioned, the same shall be divided among such Offerees as nearly as may be in the proportions hereinbefore mentioned and any balance shall be divided among such Offerees or some of them in such manner as may be determined by the Board and the Offering Shareholder shall be obligated to sell such Class B Shares; and

- (iii) if an Offeree fails or refuses to deliver a Purchase Notice or an Acceptance Notice within the time prescribed, such Offeree shall be deemed to have delivered a Purchase Notice for the purposes of paragraphs (i) and (ii);
- (d) Any party which becomes obligated to purchase Shares under this section 5.6 shall be deemed to be a Purchasing Shareholder hereunder and any party which becomes obligated to sell its Shares under this section 5.6 shall be deemed to be a Selling Shareholder;
- (e) The Purchasing Shareholder and the Selling Shareholder agree to complete the transaction of purchase and sale contemplated in this section 5.6 in accordance with the provisions pertaining thereto set out in Article 6 hereof;
- (f) If a Purchasing Shareholder is unable or fails to complete the transaction of purchase and sale on the date scheduled for the closing thereof as provided for in section 6.2, and provided that such failure was not due to any act or failure to act of or by a Selling Shareholder, then a Selling Shareholder shall be entitled, in addition to all other rights and remedies that it may have at law or in equity, to send a notice of default (the "**Default Notice**") to such defaulting Purchasing Shareholder and to purchase all of the Shares of the Purchasing Shareholder in accordance with the provisions set out in Article 6 hereof, provided, however, that the price per share payable to the defaulting party shall be equal to fifty percent (50%) of the price per share set out in the Purchase Offer. If the Selling Shareholder so acts in accordance with the immediately preceding sentence, the Selling Shareholder shall be deemed hereunder to be a Purchasing Shareholder. Failure to so act by the Selling Shareholder shall be deemed to make the Purchase Offer null and void.
- (g) Notwithstanding subsections (a) to (f) of this section 5.6, if the number of Shareholders is reduced due to any amalgamation or other restructuring of municipalities, no Shareholder may make a Purchase Offer to any Shareholders during the period commencing on the date that such amalgamation or restructuring becomes effective and terminating two (2) years therefrom and the Shareholders shall enter into good faith discussions to determine whether or not it shall be appropriate to amend this Agreement in light of such amalgamation or restructuring.

### **5.7 Draw Along.**

If, (i) an offer is made by a third party to purchase all outstanding Class B Shares held by Shareholders holding more than eighty percent (80%) of the outstanding Class A Voting Shares; or (ii) an amalgamation, merger, plan of arrangement, or other reorganization of the Corporation, for greater certainty, excluding a municipal amalgamation or other restructuring, is proposed by

a third party or an offer is made by a third party to purchase all or substantially all of the assets of the Corporation (collectively a "**Reorganization**"), all Shareholders are required to sell their Class B Shares to the Offeror or approve such Reorganization, as the case may be, if such sale or Reorganization is approved by the holders of more than eighty percent (80%) of the outstanding Class A Voting Shares.

#### **5.8 Insolvency of Shareholder.**

- (a) If any Shareholder makes an assignment for the benefit of creditors or a proposal under the *Bankruptcy Act* (Canada) or a similar filing or proposal under any other bankruptcy or insolvency legislation or is declared bankrupt or becomes insolvent, or any trustee, receiver, receiver and manager, liquidator or other officer with similar powers is appointed for such member or for all or any material part of his property (such member being hereinafter referred to as the "Insolvent Shareholder" and any such assignment, proposal, filing, declaration or insolvency or the appointment of any trustee, receiver or receiver and manager, liquidator or other officer with similar powers being hereinafter referred to as an "**Insolvency Event**"), the other Shareholders (the "**Solvent Shareholders**") shall be deemed to be entitled, effective immediately prior to the Insolvency Event, to purchase all or any part of the Class B Shares and held by the Insolvent Shareholder for a cash purchase price equal to the Fair Market Value of the Class B Shares as determined in accordance with Schedule 2. Solvent Shareholders shall have ninety (90) days from the date of the final determination of Fair Market Value of the Class B Shares pursuant to Schedule 2 to deliver to the Insolvent Shareholder (with a copy to the Corporation) a notice in writing setting out therein their respective intentions to purchase, effective immediately prior to the Insolvency Event, all but not less than all of the Class B Shares owned by the Insolvent Shareholders *pro rata*, based on their respective holdings of Class B Shares.
- (b) If the said Class B Shares shall not be capable, without division into fractions, of being divided among such Solvent Shareholders in the proportions above mentioned, the same shall be divided among such Solvent Shareholders as nearly as may be in the proportions hereinbefore mentioned and any balance shall be divided among such Solvent Shareholders or some of them in such manner as may be determined by the Directors.
- (c) Subject to the provisions of the Act, if within ninety (90) days of the final determination of the Fair Market Value of the Class B Shares pursuant to Schedule 2 a notice in writing shall not have been given to the Insolvent Shareholder (with a copy to the Corporation) by all or any of the Solvent Shareholders setting out therein the intention of such Solvent Shareholder or Shareholders to purchase, effective immediately prior to the Insolvency Event, all of the Class B Shares owned by the Insolvent Shareholder, then the Corporation shall have the right to redeem and repurchase such portion of the Class B Shares as shall not be the subject of a

purchase and sale transaction with the Solvent Shareholder, effective immediately prior to the Insolvency Event, for a cash price equal to the value of the Class B Shares as calculated by reference to the shareholders' equity of the Corporation as shown on the Corporation's most recent financial statements prior to the Insolvency Event prepared in accordance with this Agreement.

- (d) Any transaction of purchase and sale pursuant to this section 5.8 shall be completed in accordance with the provisions of Article 6 hereof but with effect and deemed completion as of the time immediately prior to the occurrence of an Insolvency Event.

### **5.9 Redemption and Issue of Class A Voting Shares.**

Notwithstanding any other provision hereof, no Shareholder, including without limitation a Shareholder that has been formed as a result of any amalgamation or other restructuring of municipalities, shall own or hold any interest in any Class A Voting Share if such Shareholder or Affiliate of such Shareholder does not own or hold an interest in Class B Shares. Upon any Shareholder transferring or disposing of Shares pursuant to any provision of this Article 5, where such Shareholder and its Affiliates no longer own or hold an interest in any Class B Shares, the Corporation shall redeem and repurchase any Class A Voting Shares held by such Shareholder at a price of \$1.00. Where such transfer or disposition of Class B Shares is made in connection with an Insolvency Event such transfer or disposition shall be completed with effect and be deemed completed as of the time immediately prior to the occurrence of such Insolvency Event. Where any person becomes a Shareholder pursuant to an issuance of new Shares or a transfer or disposition pursuant to any provision of this Article 5, such Shareholder shall be entitled to subscribe for and the Corporation shall allot and issue to such Shareholder one (1) Class A Voting Share for a subscription price of \$1.00, provided that no Shareholder together with its Affiliates, may hold more than one (1) Class A Voting Share.

## **ARTICLE 6 GENERAL SALE PROVISIONS**

### **6.1 Sale Provisions.**

Each Shareholder who hereafter sells any Shares pursuant to the provisions of this Agreement (such Shareholder being herein sometimes in this Article 6 called the "**Seller**") shall hereby be deemed to warrant to each other Shareholder or other person who purchases such Shares (such Purchasing Shareholder or other person being herein sometimes called the "**Buyer**") that, at the time of Closing of the transaction of purchase and sale in question, (a) the Seller shall have good and marketable title to such Shares, and (b) the Buyer will acquire such Shares free of any encumbrance of any kind, and in addition the Seller shall hereby be deemed to agree to indemnify and save the Buyer harmless against any loss suffered by the Buyer as a result of there being any encumbrance upon or any defect in the title of the Seller to such Shares.

## **6.2 Closing.**

Each purchase and sale of Shares between Shareholders pursuant to this Agreement shall, unless otherwise expressly provided herein, be closed at the offices of the solicitors of the Corporation at 10:00 a.m. on the fifteenth (15<sup>th</sup>) day after the date of the last notice given (or deemed to be given) by the Buyer or the Seller, as the case may be, pursuant to the applicable sections of this Agreement or at such other time and/or on such other day as may be agreed upon by the Seller and the Buyer.

## **6.3 Conditions and Closing.**

At the time of closing of any purchase of Shares of the Corporation as set forth in section 6.2, the Seller shall table:

- (a) a certificate or certificates representing the Shares being sold by the Seller, duly endorsed by the Seller in blank for transfer and with the signature of the Seller guaranteed by a Canadian chartered bank and transfers of any Shares being sold in such form as the Buyer may reasonably require;
- (b) in the case of a sale of Shares by a person which is not a natural person, such authorizing resolutions, orders and other instruments as the solicitors for the Buyer shall reasonably consider necessary to effect and evidence a valid transfer of such Shares; and
- (c) evidence of the consent of the Shareholders to the purchase of Shares in question if such consent is required by this Agreement,

and each Buyer shall pay for such Shares by bank draft or certified cheque. If the Seller fails to comply with the requirements set out in this section, the Buyer shall, in addition to its other rights, including its right to specific performance, be entitled to rescind and shall have an action for damages.

## **6.4 Indebtedness of Seller to Corporation.**

If, on the date of closing of any sale and purchase of Shares of the Corporation, the Seller is indebted to the Corporation in an amount recorded on the books of the Corporation and verified by the auditor of the Corporation, then unless otherwise agreed in writing between the Corporation and the Seller, each Buyer shall pay the purchase price payable therefor by him to the Corporation's solicitors, in trust, by tabling and delivering to the Corporation's solicitors, in trust, at the time of closing of such purchase and sale, the purchase price for such Shares. The Corporation's solicitor is hereby authorized by the Seller to apply the total purchase price proceeds to repayment of the indebtedness of the Seller to the Corporation. If such proceeds exceed such indebtedness, the Corporation's solicitors are hereby authorized by the Buyer to pay the excess over to the Seller at the

time of closing of such purchase and sale. In the event that the Seller sells all of the Shares of the Corporation owned by him and the indebtedness of the Seller to the Corporation exceeds the proceeds of such sale, then the Seller shall at the time of closing of such purchase and sale pay the balance of such indebtedness to the Corporation to retire such indebtedness.

**6.5 Indebtedness of Corporation to Seller.**

If, on the date of closing of any sale and purchase of Shares of the Corporation, the Corporation is indebted to the Seller all of whose Shares are purchased by other Shareholders or other persons pursuant to Article 5, or if such Seller is the guarantor of any indebtedness of the Corporation, the Buyer or Buyers shall, at the time of closing, purchase such indebtedness at its face value or assume such guarantee in either case *pro rata* in accordance with the number of Shares purchased by it or them.

**6.6 Agreement, Binding on Transferees.**

No Shares of the Corporation shall be effectively issued, sold, assigned, transferred, disposed of or conveyed, whether pursuant to any provision of Article 5 or otherwise, by the Corporation or a Shareholder to any person other than a Shareholder, until the proposed transferee or purchaser executes and delivers to the parties hereto an agreement to the same effect as this Agreement and any further agreement with respect to the Corporation to which the Shareholders are then, or are then required to be, a party, and unless the proposed transferee or purchaser, on becoming a party to this Agreement, would be in compliance with the provisions of this Agreement. Upon the proposed transferee or purchaser so doing, such agreements shall enure to them as if all had executed and delivered the same agreements.

**6.7 Continuing Obligations.**

Any Shareholder who sells to a person, other than an Affiliate of the Shareholder, all of the Shares of the Corporation owned by it in accordance with the terms of this Agreement shall thereafter be released and discharged from the further performance of all of its covenants and obligations hereunder from and after the date of such sale and compliance by the transferee with section 6.6 except for any obligations under this Article 6 and any other obligations under this Agreement which expressly or impliedly are to survive any such sale.

**ARTICLE 7  
PRE-EMPTIVE RIGHT**

**7.1 Pre-Emptive Right.**

Subject to subsection 4.1(6) and except as the Shareholders shall otherwise unanimously agree, if the Corporation wishes at any time hereafter to issue any Shares, such issue shall be approved by Shareholder Special Approval and the Corporation shall first offer them for purchase by the Shareholders by written notice given to each such Shareholder. Such notice shall be given within ten (10) days following approval by the Board of a proposal to issue Shares and shall set

forth a description of the Shares to be offered, the proposed purchase price and the purchase date which shall be a date not earlier than thirty (30) days after the date of such notice. Upon receipt of such notice, each such Shareholder shall have the right to subscribe for and purchase at least a number of such Shares determined by multiplying the total number of Class B Shares offered by a fraction the numerator of which shall be the number of Class B Shares owned by such Shareholder at the date of such notice and the denominator of which shall be the total number of Class B Shares outstanding as at the date of such notice. Such right shall be exercised by the Shareholder by giving notice of acceptance to the Corporation within ten (10) days after the receipt of the notice from the Corporation, which notice of acceptance shall set forth the number of Shares which such Shareholder is willing to purchase. In the event that the Shareholder does exercise such right, he shall subscribe, purchase and pay for such Shares on the purchase date set forth in the notice of the Corporation. If all the Shareholders do not subscribe for their respective proportions, the unsubscribed Shares shall be used to satisfy the subscriptions of such Shareholders for Shares in excess of their proportion and, if the subscriptions in excess are more than sufficient to exhaust such unsubscribed Shares, the unsubscribed Shares shall be divided *pro rata* among the Shareholders desiring Shares as nearly as may be in proportion to the number of Shares held by them respectively at the date of such notice, but no Shareholder shall be bound to take any such Shares in excess of the amount he so desires.

## **ARTICLE 8 LEGEND ON SHARE CERTIFICATES**

### **8.1 Legend.**

The certificates representing any Shares held by any Shareholder shall have typed or otherwise written thereon the following legend:

"The shares represented by this certificate are subject to the provisions of an agreement made as of the 31<sup>st</sup> day of August, 2000 between the Corporation of the Township of Norwich, the Corporation of the Township of Zorra, the Corporation of the Township of East Zorra-Tavistock, the Corporation of the Township of South-West Oxford, the Corporation of the Town of Ingersoll, the Corporation of the Town of Aylmer, the Corporation of the Municipality of Central Elgin and Erie Thames Power Corporation and such other persons as have or shall from time to time become bound by such agreement, as the same may be amended, supplemented and restated from time to time and notice of the terms and conditions of such agreement is hereby given. Such agreement includes restrictions on the transfer of, and the right to transfer, shares in the capital of the Corporation including the shares represented by this certificate. Such shares may not be sold, assigned, transferred, donated, mortgaged, pledged, hypothecated, charged or otherwise encumbered or dealt with except in accordance with such agreement.

A copy of such agreement, as amended, supplemented and restated from time to time may be examined at the principal place of business of the Corporation".

## **8.2 Corporation to Keep a Copy of the Agreement.**

The Corporation shall keep a true copy of this Agreement at its principal place of business and on reasonable prior notice from any Party shall make the same available for examination by such Party during the Corporation's regular hours of business at such office.

## **ARTICLE 9 INDEMNIFICATION**

### **9.1 Indemnity.**

Each particular Shareholder hereby agrees to indemnify, hold harmless, reimburse and defend each and every other Shareholder (hereinafter in this section referred to as an "**Indemnified Shareholder**"), for, from and against any and all liability, loss, damage or expense (including, without limitation, reasonable legal fees and disbursements) and any claim thereof or therefor which

- (a) is asserted against, imposed on, or incurred or sustained by, any Indemnified Shareholder (regardless of the form or nature of such liability, damage, loss, expense or claim), and
- (b) results from, arises out of or is connected with
  - (i) the nonfulfillment or breach by any person (a "**Designated Person**") that is the particular Shareholder of any covenant in or obligation under this Agreement, or
  - (ii) the negligence or misconduct of (1) any Designated Person or (2) any shareholder, director, officer, employee or agent of any Designated Person or (3) any Affiliate (other than the Corporation or any Subsidiary of the Corporation) of a Designated Person.

## **ARTICLE 10 TERMINATION AND TERM**

### **10.1 Termination.**

If on any day:

- (a) any particular person (any such person being referred to as a "**Terminated Party**") that was a Shareholder at any earlier time, does not hold any Shares, and is not pursuant to this Agreement deemed to hold any Shares; and
- (b) there is no Shareholder that is an Affiliate of the particular person

then (unless and in any event until the Terminated Party again becomes a Shareholder) after the expiration of such day

- (c) no further rights or obligations of the Terminated Party shall arise or accrue under this Agreement other than in relation to any rights or obligations respecting or relating to the payment of any amount by or to the Terminated Party pursuant to this Agreement; and
- (d) this Agreement may be amended, terminated, replaced or superseded at any time by agreement of the parties hereto, each of whom is not a Terminated Party at that time, it being understood that the same shall not affect the rights or obligations under this Agreement of any person who is then a Terminated Party.

## **10.2 Term of the Agreement.**

This Agreement shall terminate on the earlier of:

- (a) the date on which a person becomes the registered and beneficial owner of all the Shares;
- (b) the date this Agreement is terminated by written agreement of all of the Shareholders; or
- (c) the date upon which the Corporation is wound-up, liquidated or dissolved, whether voluntarily or involuntarily.

Notwithstanding the foregoing, any obligations under this Agreement which by their terms survive the termination of this Agreement, shall survive the termination of this Agreement.

## **ARTICLE 11 CONFIDENTIALITY**

### **11.1 Confidentiality.**

Each of the Shareholders and their respective Affiliates shall keep in the strictest confidence and shall not disclose and not use, in any manner whatsoever in connection with or relating to, directly or indirectly, any business engaged in or participating in the businesses of the Corporation or the operation, franchising, development or sale of products or services similar to those of the Corporation or its Subsidiaries, all non-public information pertaining to or concerning the Corporation and its Subsidiaries including, without limitation, budgets, forecasts, analyses, and financial results, costs, margins, wages and salaries, bids and other business activities, all supplier and customer lists, all non-public intellectual property including trade secrets, unfilled patents, trade-marks, technical expertise and know-how, documentation including standard terms and

agreements and all other information not generally known outside the Corporation or its Subsidiaries except to persons through business dealings with the Corporation or its Subsidiaries. However, no Shareholder or Affiliate thereof shall be obliged to keep in confidence or shall incur any liability for disclosure of information which:

- (a) was already in the public domain or comes into the public domain without any breach of this agreement;
- (b) is required to be disclosed pursuant to applicable law or court order; or
- (c) is made to the legal representatives to such disclosing party, in which event such disclosing party shall, so far as reasonably possible, cause the recipient to comply with the terms hereof as if it were a party to this agreement.

## **ARTICLE 12 GENERAL PROVISIONS**

### **12.1 Further Acts.**

The parties hereto agree to do and to cause to be done all acts and things as directors and shareholders of the Corporation to effect compliance with or waiver of the restrictions on the transfer of shares contained in the Articles of Incorporation or by-laws of the Corporation to give effect to any transfer or intended transfer of Shares required or permitted to be made and recorded as a result of the application of the provisions of this Agreement in order that, notwithstanding such restrictions, the terms and conditions of this Agreement may be carried out.

### **12.2 Extended Application.**

The parties hereto agree that the provisions of this Agreement relating to Shares of a particular class (and series, if applicable) shall apply mutatis mutandis

- (a) to any shares or securities which result, either directly or indirectly, from the conversion, changing, reclassification, redivision, redesignation, subdivision or consolidation of Shares of such class (and series, if applicable);
- (b) to any shares or securities in the capital of, or issued by, the Corporation which are received by any one or more parties hereto as a stock dividend or distribution on or in respect of Shares of such class (and series, if applicable); and
- (c) to any shares or securities in the capital of, or issued by, the Corporation or any successor or continuing body corporate to the Corporation which are received by any one or more parties hereto (1) on a reorganization, amalgamation, consolidation or merger, statutory or otherwise and (2) on or in respect of Shares of such class (and series, if applicable).

### **12.3 Assignment.**

Subject to the restrictions to assignment contained herein, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. Except as expressly permitted by this Agreement, the rights of any person under this Agreement shall not be assignable.

Any person (the "Assignor"), other than the Corporation, having rights under this Agreement shall be permitted to assign such rights to another person (the "Assignee") provided:

- (a) (i) the Assignor transfers all Shares owned by the Assignor to the Assignee and such transfer complies with this Agreement, and
- (ii) the Assignor assigns all rights of the Assignor under this Agreement to the Assignee; and
- (b) the Assignee is bound by this Agreement.

### **12.4 Notices.**

The provisions of this section apply to any notice, offer or other communication (any such notice, offer or communication being referred to in this section as a "Notice") contemplated or provided for in this Agreement:

(1) Manner of Giving Notice. Any Notice required or permitted by this Agreement to be given or sent or delivered to, or received by, a person:

- (a) shall be in writing;
- (b) shall be addressed to such person at such person's Notice Address;
- (c) shall be given to such person
  - (i) by delivery, including delivery by courier, to such person,
  - (ii) by prepaid registered or certified mail, return receipt requested, mailed in Ontario in an envelope addressed to such person's Notice Address, or
  - (iii) by transmission by facsimile transmission to such person at such person's facsimile number to the attention of such person's addressee; and
- (d) shall, if being given to the Corporation, also be given to each Shareholder other than the Shareholder giving such Notice.

- (2) Notices shall be given as follow:

If to Norwich, to:

**The Corporation of the Township of Norwich  
P.O. Box 100  
Otterville, Ontario  
N0J 1R0**

**Attention: Town Clerk**

**Fax: (519) 879-6385**

If to Zorra, to:

**The Corporation of the Township of Zorra  
P.O. Box 306  
Ingersoll, Ontario  
N5C 3K5**

**Attention: Town Clerk**

**Fax: (519) 485-2520**

If to East Zorra-Tavistock, to:

**The Corporation of the Township of East Zorra-Tavistock  
P.O. Box 100  
Hickson, Ontario  
N0J 1L0**

**Attention: Town Clerk**

**Fax: (519) 462-2961**

If to South-West Oxford, to:

**The Corporation of the Township of South-West Oxford  
R.R. #1  
Mount Elgin, Ontario  
N0J 1J0**

**Attention: Town Clerk**

**Fax: (519) 485-2932**

If to Ingersoll, to:

**The Corporation of the Town of Ingersoll  
130 Oxford Street, 2<sup>nd</sup> Floor  
Ingersoll, Ontario  
N5C 3V5**

**Attention: Town Clerk**

**Fax: (519) 485-3543**

If to Aylmer, to:

**The Corporation of the Town of Aylmer  
46 Talbot Street West  
Aylmer, Ontario  
N5H 1J7**

**Attention: Town Clerk**

**Fax: (519) 765-1446**

If to Central Elgin, to:

**The Corporation of the Municipality of Central Elgin  
450 Sunset Drive  
1<sup>st</sup> Floor  
St. Thomas, Ontario  
N5R 5V1**

**Attention: Town Clerk**

**Fax: (519) 631-4036**

If to the Corporation to:

**143 Bell Street  
PO Box 157  
Ingersoll, Ontario  
N5C 3K5**

**Attention: President**

**Fax: (519) 485-5838**

- (3) Deemed Delivery. Any Notice given to a person as aforesaid:
- (a) if given by delivery (other than by mail), shall be deemed to have been given, sent and delivered to, and received by, such person on the day on which it is so delivered;
  - (b) if given by mail, shall be deemed to have been given, sent and delivered to, and received by, such person on the day on which it is delivered as evidenced by a receipt, acknowledgement or other document issued by a postal authority; and
  - (c) if given by transmission by facsimile, shall be deemed to have been given, sent and delivered to, and received by, such person on the first Business Day after transmission.

**12.5 Remedies Cumulative.**

The rights and remedies of the Parties under this Agreement are cumulative and in addition to and not in substitution for any rights or remedies provided for in law.

**12.6 Titles.**

The titles to the Articles and certain other provisions hereof have been inserted for ease of reference only and shall not affect the construction or the interpretation of this Agreement.

**12.7 Governing Law.**

This Agreement shall be deemed to have been made in, and shall be governed by, and be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in such Province.

**12.8 Counterparts.**

This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument.

**12.9 Entire Agreement.**

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter of this Agreement. The parties hereto acknowledge that there is no

representation, warranty, agreement or understanding between them which has induced any of the parties hereto to enter into this Agreement except as expressly stated herein.

**12.10 Waiver.**

Any Party which is entitled to any right or benefit under this Agreement may, and shall be entitled and have the right to, waive any term or condition relating to the application of this Agreement in relation to any matter or transaction provided that any such waiver shall only be effective if it is in writing signed by such Party and delivered to a Party to whom such waiver is directed. If a particular Party waives any term or condition relating to the application of this Agreement in relation to any matter or transaction as aforesaid, then in relation to the specific matter or transaction which is the subject matter of such waiver, each person that is then a Party or that subsequently becomes a Party shall be entitled to rely upon such waiver in the same manner and to the same extent as if such waiver had been directed and delivered to such person by the particular Party.

No failure on the part of any Party to exercise, and no delay by any Party in exercising, any right under this Agreement shall operate as a waiver of such right.

**12.11 Time.**

Time shall be of the essence in this Agreement.

**12.12 Agreement to Prevail.**

In the event of any inconsistency between the by-law of the Corporation and the provisions of this Agreement, this Agreement shall prevail to the extent of such inconsistency.

**12.13 Independent Advice.**

EACH OF THE PARTIES HERETO ACKNOWLEDGES AND CONFIRMS THAT IT HAS BEEN ADVISED TO AND HAS HAD AN OPPORTUNITY TO RETAIN COUNSEL AND RECEIVE INDEPENDENT LEGAL ADVICE WITH RESPECT TO THIS AGREEMENT.

**12.14 Amendment**

This Agreement shall not be amended, altered or qualified except by an instrument in writing signed by all of the Shareholders.

**12.15 Dispute Resolution**

In the event a disagreement arises between any of the Parties hereto with reference to this Agreement or a matter arising hereunder and upon which the Parties cannot agree, then such

disagreement may be referred to arbitration pursuant to the provisions of the *Arbitrations Act* (R.S.O. 1990, A.24, as amended) or in accordance with the provisions of this Article 12.

The following provisions shall govern any arbitration hereunder:

- (a) the reference to arbitration shall be to three (3) arbitrators, one of whom shall be chosen by each party to the dispute and one of whom shall be selected by the two (2) arbitrators chosen by the parties set forth above;
- (b) a decision and any award shall be made by a majority of the arbitrators.

There shall be no appeal from any decision of the arbitrators.

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**Corporation of the Town of Aylmer**

By: \_\_\_\_\_ c/s  
Name:  
Title:

By: \_\_\_\_\_ c/s  
Name:  
Title:

**Erie Thames Power Corporation**

By: \_\_\_\_\_ c/s  
Name: Jeffrey S. Pettit  
Title: President & CEO

By: \_\_\_\_\_ c/s  
Name: John Skeoch  
Title: Chief Financial Officer

**SCHEDULE 1**

**ACCESSION AGREEMENT**

**THIS AGREEMENT** made •

**BY:** •

(hereinafter referred to as the "Transferee")

**TO AND IN THE FAVOUR OF AND FOR THE BENEFIT OF:**

Each person that is now or hereafter becomes bound by the Shareholders Agreement (as hereinafter defined)

**WHEREAS** • (the "Corporation") and certain shareholders of the Corporation are parties to the Shareholders Agreement;

**AND WHEREAS** it is proposed that certain transfers of securities or other actions affecting securities be made or taken and that following the completion thereof the Transferee will, either directly or indirectly, have an interest in shares in the capital of the Corporation;

**AND WHEREAS** the Shareholders Agreement includes provisions which restrict the right to transfer shares in the capital of the Corporation and provisions that may be applicable in relation to certain transactions which involve an indirect transfer of an interest in shares in the capital of the Corporation or a direct or indirect change in the ownership or control of securities issued by a shareholder of the Corporation;

**AND WHEREAS** the Transferee desires to become a party to the Shareholders Agreement and to become bound by the terms (including, without limitation, all applicable obligations and restrictions) of the Shareholders Agreement to each party that is now or hereafter becomes bound by the Shareholders Agreement;

**AND WHEREAS** in order for the Transferee to become bound by the Shareholders Agreement as aforesaid, the Transferee has executed and delivered this agreement;

**NOW THEREFORE** for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the Transferee and in consideration of rights and benefits to which the Transferee may become entitled under the Shareholders Agreement, the Transferee hereby covenants and agrees as follows:

**1. Definitions.**

In this agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) "person" means and includes any individual, corporation, body corporate, partnership, firm, joint venture, syndicate, association, trust, trustee, government, governmental agency or board or commission or authority or other form of entity or organization; and
- (b) "Shareholders Agreement" means the agreement which
  - (i) is dated the 31<sup>st</sup> day of August, 2000,
  - (ii) is binding on two or more shareholders of the Corporation and includes provisions which restrict the rights of those shareholders to transfer shares in the capital of the Corporation, and
  - (iii) shows at the beginning thereof that it is between persons that include the following as the only parties that are specified by their name, namely, **[FIRST SHAREHOLDER CORPORATION], [SECOND SHAREHOLDER CORPORATION] and [SUBJECT CORPORATION],**

and includes any and every agreement which shall have been made prior to the date hereof which amends or supplements or restates any agreement which is, or is included in, the Shareholders Agreement.

**2. Covenant to be Bound by the Shareholder Agreement.**

The Transferee covenants and agrees to be bound by the terms of the Shareholders Agreement including, without limitation, all applicable obligations and restrictions, and

- (a) to be so bound to each party that is now bound by the Shareholders Agreement, and
- (b) effective at the time hereafter at which any other party becomes bound by the Shareholders Agreement, to be so bound to such other party.

**3. Notices.**

Subject to the rights provided for in the Shareholders Agreement to establish or change the same, for purposes of the Shareholders Agreement, the Transferee hereby designates the following as the Notice Address and facsimile number of the Transferee: •,

**4. Receipt of Shareholders Agreement.**

The Transferee acknowledges that the Transferee has received a copy of the Shareholders Agreement and has had an opportunity to review the same and obtain such legal advice with respect thereto as the Transferee considers necessary or desirable.

**5. Governing Law.**

This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

**IN WITNESS WHEREOF** the Transferee has duly executed this agreement as of the date first above written.

- *[Name of Transferee]*
- (seal)
-

## **SCHEDULE 2**

### **DETERMINATION OF FAIR MARKET VALUE**

- (a) For purposes of this Agreement, "Fair Market Value" means the price per Class B Share, determined by an independent qualified business valuator (a "Valuator") pursuant to this schedule as of the relevant date, that would be received upon a sale of all of the issued and outstanding Class B Shares in a single transaction determined in an open and unrestricted market between prudent parties, acting at arm's length and under no compulsion to act, and having reasonable knowledge of all relevant facts concerning the Corporation. In determining the Fair Market Value of the Class B Shares, such Valuator shall be considered as an expert and shall not be construed as acting as an arbitrator within the meaning of the *Arbitration Act*, 1991 (Ontario).
- (b) Such determination of the Fair Market Value of the Class B Shares shall be made as if the Corporation were a "going concern" (except to the extent that market, financial, economic, business or other conditions shall dictate different criteria in the reasonable judgment of the Valuator) without any discount for a minority interest or any premium for control. The value of the Class B Shares shall not be diminished because of the fact that the Shares are not publicly traded or the fact that the Insolvent Shareholder owns a minority interest in the Corporation.
- (c) Within ten (10) days of the receipt of a notice under subsection 5.8(a), the Solvent Shareholders and the Insolvent Shareholder shall jointly appoint a Valuator. If the Shareholders are unable to jointly appoint a Valuator within the specified period, the Insolvent Shareholder, on the one hand, and the Solvent Shareholders jointly, on the other, shall within ten (10) days of the expiry of such period each appoint a Valuator (the "Designated Valuators") and the two Designated Valuators so appointed shall, within ten (10) days of their appointment, jointly appoint a Valuator.
- (d) The Shareholders shall instruct the Valuator to prepare and deliver to the Shareholders, as soon as practicable and in any event within a period of thirty (30) days of its appointment, a report setting forth the Valuator's estimate as to the Fair Market Value of the Class B Shares of the Insolvent Shareholder immediately prior to the Insolvency Event and the basis upon which such estimate has been calculated (the "Valuator's Report").
- (e) The Valuator shall prepare the Valuator's Report having regard to the factors identified in clauses (a) and (b). The Valuator may also have regard to any representations that any Shareholder may wish to make. The Valuator's Report shall be conclusive and binding. The Fair Market Value so determined shall become the Fair Market Value of the Class B Shares for purposes of the transactions contemplated in section 5.8.

- (f) The costs and expenses of the Designated Valuers incurred in connection with the appointment of the Valuator and/or the Valuator in connection with the preparation of the Valuator's Report shall be paid by the Corporation.**
- (g) Capitalized terms used in this schedule and not defined shall have the meanings ascribed thereto in this Agreement.**

## Exhibit E

### Consideration Share Attributes

#### VOTING SHARE ATTRIBUTES

Subject to the Ontario Business Corporations Act, the rights privileges, restrictions and conditions attaching to the Class A voting shares are as follows:

- (a) **Voting Rights**: The holders of the Class A Voting Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote, and at all such meetings shall be entitled to one (1) vote for each share held.
- (b) **Payment of Dividends**: The holders of the Class A Voting Shares shall not be entitled to receive any dividends declared by the directors of the Corporation.
- (c) **Participation upon Liquidation, Dissolution or Winding-Up**: The holders of the Class A Voting Shares shall not have the right to receive any remaining property or assets of the Corporation in the event of the dissolution, liquidation or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

#### PAYMENT SHARE ATTRIBUTES

Subject to the Ontario Business Corporations Act, the rights, privileges, restrictions and conditions attaching to the Class B Shares are as follows:

- (a) **Voting Rights**: The holders of the Class B Shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting.
- (b) **Payment of Dividends**: The holders of the Class B Shares shall be entitled to receive, as and when declared by the directors of the Corporation, fixed, non-cumulative dividends, in such amounts and payable in such manner as the board of directors may from time to time determine.
- (c) **Participation upon Liquidation, Dissolution or Winding-Up**: In the event of the dissolution, liquidation or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purposes of winding-up its affairs, the holders of Class B Shares shall be entitled to receive the remaining property or assets of the Corporation, together with any declared and unpaid dividends.

**Exhibit F**

**Community Involvement Agreement**

**COMMUNITY INVOLVEMENT AGREEMENT**

**THIS AGREEMENT** (this “**Agreement**”) made as of the \_\_\_\_\_, 2026.

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF  
TILLSONBURG**

(hereinafter referred to as the “**Seller**”)

– and –

**ERTH CORPORATION**

(hereinafter referred to as the “**Buyer**”)

**WHEREAS** pursuant to a share purchase agreement made between the Seller and the Buyer as of \_\_\_\_\_, 2026 (the “**Purchase Agreement**”), the Seller agreed to sell to the Buyer and the Buyer agreed to purchase from the Seller all of the issued and outstanding shares in the capital of Tillsonburg Hydro Inc. (the “**Transaction**”);

**AND WHEREAS** the parties desire to establish certain ongoing commitments by the Buyer and the Corporation to promote continued local involvement, communication, and community support within the Corporation’s Service Territory (as defined below) following the completion of the Transaction;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** pursuant to Section 9(e) of the Purchase Agreement, in consideration of the respective covenants and agreements of the parties hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties hereto agree as follows:

**1. INTERPRETATION**

1.1 **Definitions.** Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

1.2 **Service Territory.** For the purposes of this Agreement, “Service Territory” means the geographic area served by the Corporation pursuant to its electricity distribution license as of the Closing Date.

**2. PURPOSE**

The purpose of this Agreement is to set out certain ongoing commitments of the Buyer and the Corporation in respect of (i) local governance and (ii) community contributions within the Corporation’s Service Territory following the Closing.

### 3. LOCAL GOVERNANCE

- 3.1 **Appointment Right.** Subject to the remainder of this Section 3, the Seller shall have the right to appoint (i) one (1) independent director (the “**Independent Director**”) to the board of directors of the Corporation and Buyer LDC, and (ii) one (1) transitional director (the “**Transitional Director**”)
- 3.2 **Duration of Right.** The Seller’s right to appoint an Independent Director shall subsist, continue and apply until such time that Seller divests of its Consideration Shares. The Seller’s right to appointment of Transitional Director shall subsist, continue and apply for a period of three (3) years after the Closing Date. For clarity, upon the amalgamation of the Corporation and the Buyer LDC as contemplated in Section 9(e) of the Purchase Agreement, such right of appointment of an Independent Director and a Transitional Director shall apply with respect to the successor amalgamated entity.
- 3.3 **Selection Process.** The parties shall cooperate in good faith to identify qualified candidates for the Independent Director position consistent with the Buyer’s governance principles and applicable laws. The Buyer shall have the right to participate in the identification, recruitment and selection process for each Independent Director, provided that the Seller shall have sole final discretion to select the Independent Director within the requirements of this Section 3.3.
- 3.4 **Term and Succession.**
- 3.4.1 Each appointed Independent Director shall serve a term of three (3) years, subject to two (2) possible three-year renewals, consistent with the Buyer’s then prevailing director term policies. Upon the expiry of the last renewal period or resignation of an Independent Director, the Seller shall be entitled to appoint a successor Independent Director in accordance with this Section 3.
- 3.4.2 The Transitional Director shall serve a term of three (3) years.

### 4. COMMUNITY CONTRIBUTIONS

- 4.1 **Commitment.** Following the Closing, the Buyer shall, and shall cause the Corporation to, continue to provide community support within the Service Territory, consistent with historical practices of the Corporation.
- 4.2 **Community Support.** Without limiting the generality of Section 4.1, the Buyer shall ensure that the Corporation provides an annual contribution of in-kind and monetary support within the Service Territory. Such contribution may include, but is not limited to, installation and maintenance of community decorations and banners; local donations, sponsorships, and community events; and other community-oriented initiatives consistent with prior practice.
- 4.3 **Reporting.** Upon request of the Seller, the Buyer shall provide reasonable confirmation and evidence of the Corporation’s community support activities and contributions for the preceding year.

## 5. GENERAL PROVISIONS

- 5.1 **Term.** This Agreement shall take effect as of the Closing Date and shall remain in force until such time as terminated by mutual written agreement of the parties.
- 5.2 **No Assignment.** Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other party, except that the Buyer may assign this Agreement to an Affiliate provided that such Affiliate assumes all obligations hereunder.
- 5.3 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 5.4 **Entire Agreement.** This Agreement and the Purchase Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings or negotiations, whether oral or written, relating to the same.
- 5.5 **Amendments.** This Agreement may be amended only by written instrument executed by all Parties.
- 5.6 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Delivery of counterparts by electronic transmission shall be deemed effective as delivery of originally executed counterparts.
- 5.7 **Miscellaneous.** For clarity, the following provisions of the Purchase Agreement are hereby incorporated by reference and shall apply to this Agreement as if fully set forth herein, *mutatis mutandis*: Section 10(l) (*Liquidated Damages*), Section 14(g) (*Notices*) and Section 14(i) (*Dispute Resolution*).

[signature page follows]

**IN WITNESS WHEREOF** this Agreement has been executed by the parties hereto as of the first date written above.

**BUYER:**

**ERTH Corporation**

By: \_\_\_\_\_

Name: Chris White

Title: President & CEO

**SELLER:**

**The Corporation of the Town of Tillsonburg**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**Exhibit G**  
**Customer Services Agreement**

67060741.11

**CUSTOMER SERVICES AGREEMENT**

**THIS AGREEMENT** (this “**Agreement**”) made as of the \_\_\_\_\_, 2026.

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF  
TILLSONBURG**

(hereinafter referred to as the “**Seller**”)

– and –

**ERTH CORPORATION**

(hereinafter referred to as the “**Buyer**”)

**WHEREAS** pursuant to a share purchase agreement made between the Seller and the Buyer as of \_\_\_\_\_, 2026 (the “**Purchase Agreement**”), the Seller agreed to sell to the Buyer and the Buyer agreed to purchase from the Seller all of the issued and outstanding shares in the capital of Tillsonburg Hydro Inc. (the “**Transaction**”);

**AND WHEREAS** Seller will retain its customer service employees (the “**Customer Service Employees**”) following completion of the transactions contemplated by the Purchase Agreement and will make such employees available to provide Customer Service Support to the Corporation in accordance with the terms and conditions hereof;

**AND WHEREAS** Buyer has agreed to fund a portion of the cost of such Customer Service Employees on the terms set out in this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** pursuant to Section 9(e) of the Purchase Agreement, in consideration of the respective covenants and agreements of the parties hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the parties hereto), the parties hereto agree as follows:

**1. INTERPRETATION**

1.1 **Definitions.** Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

**2. SERVICES**

2.1 **Provision of Services.** Seller shall provide, through its employees, the services to or for the benefit of the Corporation and/or the Buyer that are set out on Schedule A hereto (the “**Services**”) following the Closing. For the avoidance of doubt, the responsibilities and time dedicated to provision of the Services by Seller shall in all respects be equivalent in scope and duration to Seller’s provision of such Services as at the date of this Agreement.

2.2 **Personnel.** The Services shall be performed by employees of Seller. Nothing in this Agreement shall be deemed to create any employment, agency, partnership, or joint venture relationship between Buyer or the Corporation and any employee of Seller.

### 3. **TERM**

3.1 **Term.** This Agreement shall commence on the Closing Date and shall continue until all Services have expired in accordance with Schedule A, unless terminated earlier in accordance with this Agreement (the “Term”).

### 4. **FEES AND FUNDING**

4.1 **Annual Contract Rate.** Buyer shall pay to Seller the annual fees (the “Annual Fees”) set out in Schedule A hereto for the Services.

4.2 **Adjustments.** Each of the Annual Fees set out in Schedule A shall be adjusted from time to time to reflect (i) annual cost of living increases; and (ii) any market or equity pay adjustments, in each case as determined by Seller, acting reasonably.

4.3 **Invoicing and Payment.** Seller shall invoice Buyer annually for the Annual Fee, and Buyer shall pay the Annual Fee in four (4) equal quarterly instalments within five (5) days following the end of each calendar quarter of the applicable year. For the initial year of this Agreement, Seller shall invoice Buyer on Closing for a prorated Annual Fee based on the days remaining in 2026, and Buyer shall pay the prorated 2026 Annual Fee within thirty (30) days of Closing.

### 5. **STANDARD OF PERFORMANCE**

Seller shall perform the Services in a manner consistent with Seller’s past practice in providing similar customer service support as at the Closing.

### 6. **DISCLAIMER**

**EXCEPT AS EXPRESSLY PROVIDED IN SECTION 7, THE SERVICES ARE PROVIDED AS-IS AND ALL OTHER REPRESENTATIONS, WARRANTIES, AND CONDITIONS, WHETHER EXPRESS, IMPLIED, OR STATUTORY, ARE EXPRESSLY DISCLAIMED, INCLUDING THE IMPLIED WARRANTIES AND CONDITIONS OF MERCHANTABILITY/ MERCHANTABILITY QUALITY, FITNESS FOR USE OR A PARTICULAR PURPOSE, CONTINUAL OR UNINTERRUPTED SERVICE OR NON-INFRINGEMENT, EACH OF WHICH IS EXPRESSLY DISCLAIMED TO THE FULLEST EXTENT PERMISSIBLE BY LAW.**

### 7. **LIMITATION OF LIABILITY**

**IN NO EVENT WILL THE SELLER BE LIABLE UNDER THIS AGREEMENT FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES, OR LOST PROFITS OR FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, HOWEVER CAUSED, WHETHER FOR BREACH OF WARRANTY, CONTRACT, TORT NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, EVEN IF THE BUYER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE AGGREGATE CUMULATIVE LIABILITY OF THE SELLER ARISING OUT OF THIS AGREEMENT WILL NOT EXCEED THE TOTAL AMOUNT ACTUALLY PAID BY THE BUYER TO THE SELLER HEREUNDER.**

## **8. TERMINATION**

- 8.1 Termination by Agreement.** This Agreement may be terminated at any time by mutual written agreement of the parties.
- 8.2 Effect of Termination.** Upon termination of this Agreement, Buyer shall pay Seller for all Services performed up to the effective date of termination in addition to any penalties or other damages set out in the Purchase Agreement.

## **9. GENERAL PROVISIONS**

- 9.1 No Assignment.** Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other party, except that the Buyer may assign this Agreement to an Affiliate provided that such Affiliate assumes all obligations hereunder.
- 9.2 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 9.3 Entire Agreement.** This Agreement and the Purchase Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings or negotiations, whether oral or written, relating to the same.
- 9.4 Amendments.** This Agreement may be amended only by written instrument executed by all parties.
- 9.5 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Delivery of counterparts by electronic transmission shall be deemed effective as delivery of originally executed counterparts.
- 9.6 Miscellaneous.** For clarity, the following provisions of the Purchase Agreement are hereby incorporated by reference and shall apply to this Agreement as if fully set forth herein,

*mutatis mutandis*: Section 10(l) (*Liquidated Damages*), Section 14(g) (*Notices*) and Section 14(i) (*Dispute Resolution*).

**[signature page follows]**

**IN WITNESS WHEREOF** this Agreement has been executed by the parties hereto as of the first date written above.

**BUYER:**

**ERTH Corporation**

By: \_\_\_\_\_

Name: Chris White

Title: President & CEO

**SELLER:**

**The Corporation of the Town of Tillsonburg**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

## **SCHEDULE A SERVICES**

This **Schedule A – Services** (“**Schedule A**”) forms part of the Services Agreement (the “**Agreement**”) between the Seller and the Buyer. Capitalized terms not defined in this Schedule A shall have the meanings ascribed to them in the Agreement.

---

### **1. In-Person Customer Service Activities**

#### **1.1 Description of Services**

The Seller shall provide in-person customer service activities at 10 Lisgar Ave. Tillsonburg ON or an alternative location within the Town of Tillsonburg to support customer interactions related to electricity customers of the Corporation and water and wastewater services for mutual customers of the Corporation or EARTH (Holdings) Inc.

#### **1.2 Scope of Services**

The scope of the in-person customer service activities shall in all respects be limited to the services that Seller currently provides to the Corporation as of the date of the Agreement, which may include:

- (a) Staffing and operating customer service counters during business hours;
- (b) Responding to customer inquiries related to electricity, water, and wastewater accounts;
- (c) Processing customer move requests and account updates;
- (d) Responding to billing inquiries and providing explanations of charges and rates;
- (e) Accepting and processing customer payments, where applicable, and issuing receipts or confirmations;
- (f) Providing information regarding rates, programs, policies, and procedures approved by the Buyer; and
- (g) Escalating customer issues in accordance with the Buyer’s escalation protocols.

#### **1.3 Term and Compensation**

The term for the in-person customer service activities shall expire on **January 1, 2034**, unless terminated earlier in accordance with the Agreement. The Annual Fee for these services shall be **\$143,465 per year**, exclusive of applicable taxes.

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### **2. Customer Service Activities – Call Center and Payment Processing**

#### **2.1 Description of Services**

The Seller shall provide customer service activities inclusive of call center operations and payment processing services in support of electricity, water, and wastewater customers.

## **2.2 Scope of Services**

### **(a) Call Center Services**

The scope of the call center service activities shall in all respects be limited to the services that Seller currently provides to the Corporation as of the date of the Agreement, which may include:

- (i) Operating a customer service call center during ~~agreed~~ business hours;
- (ii) Responding to inbound customer inquiries via telephone;
- (iii) Addressing customer inquiries related to billing, payments, adjustments, account balances, service start, stop, and transfer requests, metering, and consumption;
- (iv) Logging, tracking, and resolving customer requests using systems approved by the Buyer; and
- (v) Escalating customer issues in accordance with agreed service levels and escalation procedures.

### **(b) Payment Processing Services**

The scope of the payment processing service activities shall in all respects be limited to the services that Seller currently provides to the Corporation as of the date of the Agreement, which may include, without limitation:

- (i) Processing customer payments for electricity, water, and wastewater services through approved payment channels; and
- (ii) Reconciling payment transactions and transmitting payment data to the financial institution and systems.

## **2.3 Term and Compensation**

The term for the call center and payment processing services shall expire on the earlier of **January 1, 2029** or the termination date of the Water Billing Agreement. The Annual Fee for these services shall be **\$150,000 per year**, exclusive of applicable taxes.

---

## **3. Financial Services**

### **3.1 Description of Services**

The Seller shall provide financial support services to assist the Buyer with financial operations and administrative functions.

### **3.2 Scope of Services**

The scope of the financial support service activities shall in all respects be limited to the services that Seller currently provides to the Corporation as of the date of the Agreement, which may include, without limitation:

- (a) Hosting the financial system for processing of financial and payroll transactions;
- (b) System access and user licensing for Buyer to prepare financial reports/statements; and update budget and forecast data in the financial system;
- (c) General ledger support and financial transaction processing;
- (d) Accounts payable and accounts receivable;
- (e) Financial and bank reconciliations;
- (f) Support for internal and external audit activities, including provision of supporting documentation; and
- (g) Payroll Services, including processing and generating applicable remittances.

### **3.3 Term and Compensation**

The term for the financial services shall expire on the earlier of **January 1, 2029** or the termination date of the Water Billing Agreement. The Annual Fee for these services shall be **\$65,000 per year**, exclusive of applicable taxes.

### **3.4 Renewal Option**

Upon the mutual agreement of the parties provision of the foregoing Financial Services and Call Center Services may be renewed for up to one (1) additional year, subject to the terms and conditions of the Agreement or as otherwise mutually agreed in writing.

**APPENDIX D**  
**Resolutions by Parties Approving the Proposed Transaction**

**RESOLUTION OF THE SHAREHOLDERS  
OF  
ERTH CORPORATION  
(the "Corporation")**

**ACQUISITION OF TILLSONBURG HYDRO INC. ("THI")**

**DATE: February 19, 2026**

**WHEREAS**, pursuant to section 4.1(6) of the Corporation's unanimous shareholder agreement, the municipal shareholders of the Corporation (the "**Shareholders**"):

- (i) approved the acquisition of THI (the "**Acquisition**") pursuant to the terms presented at the special shareholder meeting on August 15, 2025, and as reflected in a non-binding letter of intent between the Corporation and THI presented to the Shareholders on said date (the "**LOI**"),
- (ii) appointed the Corporation's board of directors (the "**Board**") as shareholder representatives for the express purpose of approving the final form of legal agreements and taking all other necessary steps to finalize and consummate the Acquisition, and
- (iii) directed the Board to return to the municipal shareholders for further approval only in the event of any material change to the terms and conditions described in the LOI.

**AND WHEREAS**, to effect the Acquisition, the Corporation and THI's shareholder have negotiated a share purchase agreement (the "**Agreement**") in the form attached to this resolution as Schedule "A" which is materially consistent with the terms set forth in the draft of the LOI presented to the Shareholders on August 15, 2025.

**BE IT RESOLVED THAT:**

1. The Acquisition is hereby approved;
2. The Corporation is authorized to execute and deliver the Agreement and to fulfil its obligations under the Agreement and any other agreement or document contemplated by, or required to be delivered under the Agreement;
3. The Agreement in the form attached as Schedule "A" is approved and the President & CEO is authorized and directed to execute and deliver the Agreement, with such amendments or variations to the Agreement as the President & CEO may approve, whose execution and delivery of the Agreement shall be conclusive evidence of the President & CEO's approval, and the document so executed by the President & CEO is the Agreement authorized by this resolution; and
4. The President & CEO is authorized and directed to take such action and to execute such further documents as may be necessary or desirable to give full force and effect to this resolution or the Agreement.

DATED the 19<sup>th</sup> day of February, 2026.

Moved:     Matt Langford (Township of Zorra)    

Seconded:     Larry McCabe (Town of Goderich)    

Carried:     Unanimous



**SPECIAL RESOLUTION OF THE SHAREHOLDERS**

**MERGER WITH TILLSONBURG HYDRO INC.**

Date: August 15, 2025

**WHEREAS** section 4.1(6) of the ERTH Corporation shareholder agreement requires Special Shareholder Approval of the transactions contemplated in this special resolution.

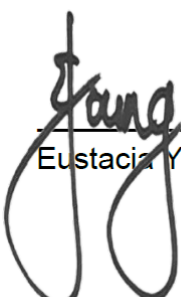
**RESOLVED THAT:**

1. The following transactions, pursuant to the terms presented at a special shareholder meeting on August 15, 2025 and as reflected in the non-binding letter of intent (the "LOI") attached to this resolution as Schedule "A", are hereby approved:
  - (a) the acquisition of all of the issued and outstanding shares of Tillsonburg Hydro Inc. by ERTH Corporation, and
  - (b) the issuance to the Town of Tillsonburg of one Class A share and 6,264,547 Class B shares representing an ownership position of 18.78% in the capital of ERTH Corporation;
2. The ERTH Board of Directors (the "Board") be appointed as shareholder representatives for the express purpose of approving the final form of definitive legal agreements and taking all other necessary steps to finalize and consummate the transactions described herein; and
3. The Board shall return to the shareholders for further approval in the event of any material change to the terms and conditions described in the LOI.

Moved by: David Mayberry (Southwest Oxford)

Seconded by: Brian Petrie (Ingersoll)

Carried: Approved (Unanimous)

Signed:  \_\_\_\_\_  
Eustacia Young, Corporate Secretary

## SCHEDULE "A"

CONFIDENTIAL

April 15, 2025

Town of Tillsonburg and Tillsonburg Hydro Inc.  
10 Lisgar Ave  
Tillsonburg, ON N4G 5A5

**Re: Amalgamation of Tillsonburg Hydro Inc. and ERTH Power Corporation in exchange for shares in ERTH Corporation**

The purpose of this letter of intent is to set out certain non-binding understandings and certain binding agreements between Town of Tillsonburg (“**Tillsonburg**”) and ERTH Corporation (“**ERTH**”) with respect to Tillsonburg’s investment in ERTH and the subsequent amalgamation of the parties’ wholly-owned local distribution companies, namely Tillsonburg Hydro Inc. (“**THI**”) and ERTH Power Corporation (“**EPC**”) (the “**Proposed Transaction**”).

1. Proposed Transaction

The Proposed Transaction will involve the following steps:

- (a) In exchange for all of the issued and outstanding shares of THI, Tillsonburg will receive the following investment in ERTH:
  1. one (1) Class A share in the capital of ERTH (the “**Voting Share**”), which entitles Tillsonburg to an equal vote at all meetings of ERTH shareholders;
  2. Six Million, Two Hundred and Sixty-Four Thousand, Five Hundred and Forty-Seven (6,264,547) Class B shares in the capital of ERTH (the “**Payment Shares**”), representing a relative ownership position of 18.78%, which entitles Tillsonburg to this proportionate share of any future dividends or return of capital paid by ERTH; and
  3. such other payments and benefits described in this letter.
- (b) Immediately following the transaction described above, THI and EPC will amalgamate pursuant to an amalgamation agreement creating a single merged local distribution company (the “**Merged LDC**”).

## 2. Guiding Principles

The parties acknowledge and agree that the guiding principles set out in Schedule “A” to this letter (the “**Guiding Principles**”) are fundamental to the successful completion and long-term effectiveness of the Proposed Transaction. The parties commit to conducting all negotiations, due diligence, and integration efforts in a manner that upholds and is consistent with these Guiding Principles. The LOI and any definitive agreements entered into in connection with the Proposed Transaction shall reflect and give effect to these Guiding Principles to the fullest extent practicable.

## 3. Definitive Agreements

The parties shall use commercially reasonable efforts to negotiate and execute definitive legal agreements including, without limitation, a Share Purchase Agreement between the Town and EARTH, to effect the Proposed Transaction upon the terms set forth in this letter (the “**Definitive Agreements**”). The Definitive Agreement will include the terms and conditions reflected in this letter and the usual provisions contained in similar agreements negotiated between arm’s length parties (including, without limitation, covenants, conditions, representations, warranties and indemnities).

## 4. Conditions of Closing

The Definitive Agreements would provide that completion of the Proposed Transaction would be subject to the usual conditions contained in similar agreements negotiated between arm’s length parties including, by way of illustration and without limitation, the following conditions (the “**Conditions**”):

- (a) Finalization of the due diligence process described in Section 5 below to the satisfaction of the parties;
- (b) Satisfactory public and community engagement regarding the Proposed Transaction; and
- (c) Receipt of all consents, approvals, exemptions and authorizations necessary in order to complete the Proposed Transaction including, without limitation:
  - (1) approval of the Proposed Transaction and Definitive Agreements by a majority of EARTH’s board of directors and two-thirds of EARTH’s municipal shareholders;
  - (2) approval of the Proposed Transaction and Definitive Agreements by the THI board of directors and its sole shareholder, Tillsonburg;
  - (3) approval from the parties’ respective financial institutions;
  - (4) negotiation and execution of the necessary post-closing agreements required upon closing including, without limitation, the terms and conditions regarding the transfer



of utility-related employees and related equipment from Town to the merged LDC or EPC's competitive businesses and finalized contacts and any approvals required from the County of Oxford authorizing ERTH to undertake water billing for the Town shall be a condition of closing.

- (5) necessary approvals of the Proposed Transaction by the Ontario Energy Board (“OEB”), including (i) MAAD (Mergers, Amalgamations, Acquisitions and Divestitures) approval pursuant to sections 85 and 86 of the OEB Act, 1998 and (ii) a license amendment for the Merged LDC pursuant to section 74 of the OEB Act, 1998.

The Definitive Agreements will also contain such representations and warranties, covenants, events of default, buy out rights, indemnifications, and other terms and conditions as are typical and may be acceptable to the parties.

#### 5. Due Diligence

Following the execution of this letter, the parties and their representatives will finalize their due diligence investigation of the business, affairs and financial condition of THI, EPC, and ERTH, including financial, commercial, marketing, employee, legal, taxation, systems, regulatory and environmental matters, on or before the Closing Date. As part of the Town's due diligence, THI and the Town will hold public information sessions to present the Proposed Transaction to Town constituents and THI ratepayers.

#### 6. Transaction Timing and Closing

Upon execution of this letter, the parties agree to use commercially reasonable efforts to (i) negotiate the Definitive Agreements and satisfy the Conditions, including the completion of due diligence, in a timely manner, and (ii) obtain municipal shareholder approval to execute the Definitive Agreements and submit an application for OEB regulatory approval no later than September 1, 2025.

The Proposed Transaction will close (i) within thirty (30) days of the date on which all the Conditions have been satisfied or waived, including the receipt of OEB regulatory approval or (ii) such other date as agreed to by the parties in writing (the “Closing Date”).

The parties agree to use commercially reasonable efforts to close the Proposed Transaction on or before January 1, 2026.

#### 7. Promissory Note

Following the closing of the Proposed Transaction, the Merged LDC will continue to be bound by and make payments on the promissory note(s) that the Town of Tillsonburg holds with THI, which will be established on or before the Closing Date. The parties agree that the amount of promissory



note(s) referenced in this paragraph shall not exceed \$2,524,038.00 and the interest payable thereon shall not exceed ERTH's current shareholder promissory note interest of 7.25%.

#### 8. Governance and Shareholder Rights

On the Closing Date, Tillsonburg will become a shareholder of ERTH and execute an accession agreement whereby Tillsonburg will become a party to ERTH's shareholder agreement. (the "**ERTH Shareholder Agreement**"). The Voting Share described in Section 1(a)(1) will entitle Tillsonburg to one equal vote at all meetings of the ERTH shareholders, and the Payments Shares described in Section 1(a)(2) will entitle Tillsonburg to a proportionate share of any future dividends or return of capital paid by ERTH.

The Town will have the right to appoint one director to the ERTH board and one qualified independent director to the EPC board. In addition, as a transitional measure, the Town will have the right appoint an additional director to the EPC board for a period of three (3) years after the closing of the Proposed Transaction.

#### 9. Closing Matters

- (a) **Transaction Fees** – ERTH and/or EPC agrees to pay the fees associated with the filing of the OEB's merger approval application. All other costs and expenses incurred by each party in completing the Proposed Transaction, including legal fees, will be the responsibility of the party incurring the same.
- (b) **Assurances re: Existing Management Contract** – In the event that the parties' decide not to proceed with the Proposed Transaction, ERTH and EPC agree to provide the Town with commercially reasonable transition support in connection with EPC's existing THI management contract.
- (c) **Water Billing** – The parties agree that ERTH will deliver water billing services to the Town's residents following the closing of the proposed Transaction.
- (d) Following the closing the Proposed Transaction:
  - A. **Local Presence** – The Merged LDC will maintain a local presence in the Town, including:
    - 1. *Existing Lease* – The Merged LDC will assume THI's existing lease commitment for its operation centre at 43 John Pound Road, Tillsonburg, ON;
    - 2. *Signage* – The Merged LDC will maintain ERTH signage at the Town's customer service centre; and



3. *Community Support* - The Merged LDC will continue to provide the Town with in kind and other community support, e.g. installation of Christmas lights, Veterans' banners, etc.

B. **Job Guarantees** – The Merged LDC would provide job guarantees to all identified Town employees engaged in the THI operations. These employees will either be transferred to the Merged LDC or one of EPC's competitive affiliates on or before the closing of the Proposed Transaction (the "**Transferred Employees**"). Seniority and service credits for these Transferred Employees will be maintained. For those Town employees unable or unwilling to be transferred, ERTH and EPC agree to maintain their respective services following the closing the Proposed Transaction via a service agreement with the Town, if required.

C. **Town Customer Service Employees** – The Town will retain all of its customer service employees and ERTH will continue to fund the equivalent of 1 FTE currently paid under the MSA between the Town and THI. Annual cost of living increases will be applied to the contracted rate.

(b) **Service Quality Guarantees** – The Merged LDC will commit to monitor and meet the OEB's Service Quality Indicators such that the service quality to the Town is not negatively affected and will strive to exceed industry averages.

(c) **Minimum Capital Investment Guarantees** – The Merged LDC will continue to invest in the Town's electricity infrastructure as per THI's approved Distribution System Plan.

(d) **Rate Guarantees** – The Merged LDC will harmonize the rates of THI and EPC in a manner set forth and approved by the OEB and meeting the intent of the OEB's "no harm" test for ratepayers.

(e) **IT and Related Services** – The parties agree that any THI-related IT requirements be moved to the ERTH environment following the closing of the Proposed Transaction. ERTH agrees to provide hosting and related back office IT support to the Town at a preferential rate, pursuant to a mutually-acceptable service agreement.

## 10. Confidentiality

The confidentiality provisions set forth in the Mutual Agreement of Confidentiality and Non-Disclosure dated July 24<sup>th</sup>, 2024 shall continue to apply to the parties.

## 11. Exclusivity

To allow the parties to negotiate and execute the Definitive Agreements, Tillsonburg agrees not to, directly or indirectly, solicit or entertain any offer for the purchase of all or any of the THI shares for a One Hundred and Eighty (180) day period following the date of execution of this letter



(the “Exclusivity Period”), and Tillsonburg further agrees to deal exclusively with ERTH during such the Exclusivity Period.

## 12. Termination

If, despite the commercially reasonable efforts of the parties, Definitive Agreements are not negotiated and executed by the parties by the end of the Exclusivity Period, then any party shall be entitled to terminate this letter by written notice to the other party, provided that the parties’ undertaking as to the confidentiality contained in Section 10 above shall survive the termination of this letter, and that such termination shall not affect the liability of a party for breach of any of its binding commitments prior to the termination.

## 13. Binding Nature

The parties specifically acknowledge that this letter is not an obligation of funds, nor does it create a legally binding commitment between the parties with the exception of (i) the obligations of confidentiality and exclusivity as described in Sections 10 and 11 above, and (ii) the parties’ mutual undertaking to use commercially reasonable efforts to negotiate and executive Definitive Agreements on the terms and conditions described in this letter.

## 14. General

Unless expressly stated otherwise, all costs and expenses incurred in respect of this finalizing this letter and any resulting negotiations and agreements, including legal, accounting and other professional advisor fees, will be borne by the parties which incur the same. This letter and the Definitive Agreements will be interpreted and enforced in accordance with the laws of the Province of Ontario. All amounts referred to in this letter are expressed in Canadian dollars. This letter may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

If this letter accords with your understanding of our discussions, please sign and return the copy of this letter via email or courier or on or before May 31, 2025. If your approval and acceptance have not been obtained by such date, the offer contained in this letter shall be null and void.

Yours very truly,

ERTH CORPORATION



Chris White  
President & CEO



ACCEPTED AND AGREED as of this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

TOWN OF TILLSONBURG

TILLSONBURG HYDRO INC.

\_\_\_\_\_  
Name:

Title:

\_\_\_\_\_  
Name:

Title:



**THE CORPORATION OF THE TOWN OF TILLSONBURG**

**BY-LAW 2026-035**

**A BY-LAW to authorize the execution of a Share Purchase Agreement with ERTH Corporation**

**WHEREAS** the Town of Tillsonburg (the "Town") holds all of the issued and outstanding shares (the "Shares") in the capital of Tillsonburg Hydro Inc. (the "Corporation");

**AND WHEREAS** on November 7, 2025, the Town approved the entry by the Corporation into a letter of intent (the "LOI") with ERTH Corporation ("ERTH");

**AND WHEREAS** pursuant to the LOI, the board of directors of the Corporation has recommended that the Town approve and enter into a share purchase agreement (the "Purchase Agreement") with ERTH, a draft of which having been either presented or described to the council of the Town, pursuant to which, among other things, the Town will sell to ERTH and ERTH will purchase from the Town, the Shares (the "Transaction");

**AND WHEREAS** pursuant to the terms of the Purchase Agreement or as otherwise contemplated in connection with the Transaction, the Town will be required to execute and deliver certain ancillary agreements, documents, deeds and instruments, either at the time of execution of the Purchase Agreement or closing of the transactions contemplated thereby, including a customer services agreement and a community involvement agreement (the "Related Agreements"), drafts of each such Related Agreement having been either presented or described to the council of the Town;

**AND WHEREAS** capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

**NOW THEREFORE BE IT RESOLVED THAT:**

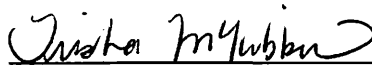
1. The Town hereby approves the Transaction.
2. The Town is authorized to enter into the Purchase Agreement and each of the Related Agreements substantially in the form presented or described to the council of the Town.
3. The execution and delivery by the Township of the Purchase Agreement and the Related Agreements and the performance by it of its obligations thereunder, with such deletions, amendments or additions thereto as the Chief Administrative Officer may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.
4. The Mayor and Clerk are each authorized and directed, for and in the name of and on behalf of the Town, to execute and deliver the Purchase Agreement and the Related Agreements, with such deletions, amendments or additions thereto

as the Chief Administrative Officer may in his absolute discretion determine, the execution of such agreements in accordance with the provisions of this paragraph being conclusive evidence of such determination.

5. The Mayor and Clerk are each authorized and directed, for and in the name of and on behalf of the Town, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, and to do all such other acts and things as the Chief Administrative Officer may determine to be necessary or advisable in connection with the Purchase Agreement or the Related Agreements, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Mayor or the Clerk being conclusive evidence of such determination.

**READ A First, Second, Third and Final time and passed this 27<sup>th</sup> of April 2026.**

  
\_\_\_\_\_  
MAYOR – Deb Givensy

  
\_\_\_\_\_  
CLERK – Trisha McKibbin

**APPENDIX E**  
**Scorecards of THI and EPC**

# Scorecard - Tillsonburg Hydro Inc.

8/21/2025

Performance Outcomes	Performance Categories	Measures	2020	2021	2022	2023	2024	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	99.51%	95.34%	100.00%	99.62%		90.00%		
		Scheduled Appointments Met On Time	99.36%	98.21%	99.33%	98.60%	99.79%		90.00%		
		Telephone Calls Answered On Time	0.00%	0.00%	98.68%	99.29%	99.11%		65.00%		
	Customer Satisfaction	First Contact Resolution	97.2%	97.7%	94.7%	96.9%	98.9%				
		Billing Accuracy	99.80%	97.60%	99.70%	99.85%	99.85%		98.00%		
		Customer Satisfaction Survey Results	satisfied	Satisfied	Satisfied	Satisfied	Satisfied				
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	83.70%	83.70%	86.00%	86.00%	86.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
	Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000			0.000	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	1.69	0.53	0.95	0.21	0.32			0.87	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.02	0.37	0.99	0.26	0.46			0.64	
	Asset Management	Distribution System Plan Implementation Progress	in-progress	In-progress	In-progress	In-progress	111%				
	Cost Control	Efficiency Assessment	3	3	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$695	\$686	\$703	\$762	\$815				
		Total Cost per Km of Line <sup>3</sup>	\$40,648	\$39,137	\$39,997	\$43,880	\$47,099				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%		90.00%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.16	1.49	1.12	1.66	1.38				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.42	0.41	0.40	0.63	0.67				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	9.21%			
			Achieved	2.42%	1.43%	-0.32%	3.52%	-0.10%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

**Legend:**

5-year trend

up down flat

Current year

target met target not met

Tillsonburg Hydro Inc. provides delivery of electricity, billing and maintenance services to the residents of the Town of Tillsonburg. Our goal is to provide a personal and exceptional level of service. We have our office open to serve the public along with staff and equipment located locally to quickly respond to the needs of the community. During 2024, Tillsonburg Hydro Inc. (THI) exceeded both industry and distributor targets reported on the Scorecard.

### Service Quality

Tillsonburg Hydro Inc. (THI) strives to provide customer service that exceeds the Ontario Energy Board (OEB) Industry Targets. During 2024, THI continued to exceed the industry targets for all Service Quality measures on the scorecard.

- **New Residential/Small Business Services Connected on Time**

THI connected 260 of 261 new services (99.6%) within the 5-business day standard during fiscal 2024; this exceeds the OEB target of 90%.

- **Scheduled Appointments Met On Time**

During fiscal 2024, THI attended 476 of 477 scheduled appointments (99.8%) as scheduled. THI consistently exceeds the OEB target of 90%.

- **Telephone Calls Answered On Time**

THI has maintained its level of service from the prior year, answering 99.1% of calls with the 30-second time period. In 2024, THI's customer service staff received 5,151 calls with less than 1% abandoned.

## Customer Satisfaction

The satisfaction of customers is of high importance to THI. The Customer Satisfaction metrics on the Scorecard exceeded OEB industry targets and have been consistent during 2020 through 2024.

- **First Contact Resolution**

THI resolved customer issues 98.9% during the first contact with THI staff during 2024. THI continues to value customer's time by empowering our staff to resolve customer issues during the first contact.

- **Billing Accuracy**

During 2024, THI produced 103,248 bills and achieved 99.8% accuracy metric. This metric exceeds the 98% industry target set by the OEB..

- **Customer Satisfaction Survey Results**

During 2023, THI conducted an independent Customer Satisfaction Survey to assist in obtaining information relating to Customer Satisfaction. THI's results were consistent with previous Satisfaction Surveys (last performed in 2019) where Customers were "Satisfied" with THI's business results.

- **Public Safety**

The Ontario Energy Board (OEB) introduced the Safety Measure in 2015. This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety Measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

THI engaged a 3<sup>rd</sup> party, during 2024 to survey residents within the THI service territory on the level of public awareness on electrical safety. THI achieved a result of 85.3%. While there is currently not an industry target published by the OEB, we compared our results to a peer group of other Local Distribution Companies (LDCs). Using the same vendor, it shows we are in the medium of the other 12 LDCs in the group.

- **Component B – Compliance with Ontario Regulation 22/04**

The ESA report was issued on July 10, 2025, for the audit period May 1, 2024 to April 30, 2025, in which THI has achieved a “C” rating (Compliant).

- **Component C – Serious Electrical Incident Index**

For the years 2020 through 2024 THI has not had any “Serious Electrical Incidents”. As a result, the numbers submitted for THI’s scorecard by the Electrical Safety Authority are zero. THI continues to work with ESA to ensure the distributor has done everything necessary to maintain this level of compliance.

## System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

During 2024, THI reported a small increase in the Average number of Hours that Power to a customer is interrupted (SAIDI) compared to 2023. The 2024 results presented a metric of 0.32, which exceeds the distributor target of 0.87.

- **Average Number of Times that Power to a Customer is Interrupted**

During 2024, THI reported a small increase in the Average Number of Times that Power to a customer is interrupted (SAIFI i.e. Frequency) compared to 2023 results. The 2024 results presented a metric of 0.46, which exceeds the distributor target of 0.64.

## Asset Management

- **Distribution System Plan Implementation Progress**

Tillsonburg Hydro Inc. has completed our Distribution System Plan and has included it as part of our 2024 Cost of Service Rate Application. This plan provides an estimate of future capital spending. THI has spent 11% more than indicated in the Distribution System Plan.

## Cost Control

- **Efficiency Assessment**

The OEB contracts the Pacific Economics Group LLC (PEG) to rank LDC's in Ontario on an annual basis. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. Electricity distributors are ranked into 1 of 5 efficiency categories with category 1 being the most efficient and 5 being the least efficient. In 2024, 31% of the Ontario distributors were ranked as "average efficiency"; 59% were ranked as "more efficient"; 10% were ranked as "least efficient".

In 2024, THI maintained our ranking, remaining in Group 2. Group 2 is defined as having actual costs 10% to 25% below predicted costs. Group 3 is considered the electrical distributor ranking for "average efficiency".

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of THI capital and operating costs and dividing this cost figure by the total number of customers that THI serves. THI's total cost per customer in 2024 was \$815, which is an increase compared to 2023 values.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that THI operates to serve its customers. THI's total cost per Km of Line in 2024 is \$47,099 based on 148 km of line. This is an increase compared 2023 values.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**  
THI had no requests CIA's during 2024.
- **New Micro-embedded Generation Facilities Connected On Time**  
THI had no new micro-embedded generation facilities completed during 2024.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of risk to cover the company’s short-term debts and financial obligations.

Tillsonburg Hydro Inc.’s current ratio decreased from 1.66 in 2023 to 1.38 during 2024.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40).

A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments.

A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

THI has a debt to equity structure that is less levered – this is demonstrated by the 2024 debt to equity ratio of 0.67.

Capital investments during 2024 and future years using debt financing will see this ratio continue to climb towards industry norms.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

THI’s current distribution rates have been approved by the OEB and include an expected (deemed) regulatory return on equity of 9.21%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

The rates set in the 2013 Cost of Service (CoS) application no longer uphold the rate of inflation due to an associated 2017-2023 stretch factor of 0.60%. THI had deferred its CoS rebasing for several years due to the significant cost and effort required. Even with the small increase in Adjusted Operating Expenses and higher Regulated Net Income, the result of increased Regulated Deemed Equity is a year over year decline in ROE. THI has completed its Cost of Service rate application in 2024 for rates effective November 1, 2024.

THI has achieved the following ROE values as reported through the RRR process: 2020 = 2.42%, 2021 = 1.43%, 2022 = (0.32%), 2023 = 3.52%, 2024 = (0.10%). The ROE is expected to improve in 2025 as result of the rebasing of rates that commenced on November 1, 2024.

## Note to Readers of 2024 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.

# Scorecard - ERTH Power Corporation

9/22/2025

Performance Outcomes	Performance Categories	Measures	2020	2021	2022	2023	2024	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	98.59%	95.84%	97.05%	95.76%	95.11%		90.00%		
		Scheduled Appointments Met On Time	100.00%	99.06%	100.00%	99.18%	99.53%		90.00%		
		Telephone Calls Answered On Time	95.92%	95.02%	92.54%	93.49%	86.49%		65.00%		
	Customer Satisfaction	First Contact Resolution	99.58	99.26	99.43	99.66	99.91				
		Billing Accuracy	99.75%	99.85%	99.62%	99.69%	97.01%		98.00%		
		Customer Satisfaction Survey Results	77%	77 %	76 %	76	76				
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	85.10%	84.40%	84.40%	83.90%	83.90%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	1	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.229	0.226	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.78	2.17	0.93	1.31	1.51			0.91	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.29	0.87	0.47	0.38	0.76			0.39	
	Asset Management	Distribution System Plan Implementation Progress	106.8%	104.5%	95.1%	100.7%	99.3%				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$680	\$676	\$720	\$813	\$846				
		Total Cost per Km of Line <sup>3</sup>	\$36,142	\$35,797	\$38,366	\$44,313	\$46,498				
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time				100.00%	100.00%	100.00%		90.00%	
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.77	0.73	0.65	0.52	0.70			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.90	0.86	0.80	0.83	1.08			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.00%			
			Achieved	8.35%	9.06%	9.72%	9.32%	9.08%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.

**Legend:**

5-year trend

up down flat

Current year

target met target not met

# 2024 Scorecard Management Discussion and Analysis (“2024 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2024 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

## Scorecard MD&A –General Overview

- ERTH Power Corporation (“ERTH Power”), launched in July 2000 in the heart of Southwestern Ontario, representing the amalgamation of seven Public Utilities Commissions (PUCs) within the municipalities of Port Stanley, Aylmer, Belmont, Ingersoll, Thamesford, Otterville, Norwich, Burgessville, Beachville, Embro and Tavistock. In 2011, Clinton, Mitchell and Dublin, Ontario and most recently in 2019, Goderich, Ontario were added to our service territory. We are a licensed distribution company (LDC) providing efficient delivery of electricity, billing and maintenance service to over 24,000 residential and commercial customers across 15 communities within our licensed boundaries.
- In 2024, ERTH Power exceeded most performance targets and maintained its reliability stats over the previous year.
- ERTH Power performed well with respect to its targets and sustained its strong performance. ERTH Power monitors its results with respect to the measures reported on the scorecard and is continually seeking to improve its performance to improve the service provided to its customers.

## Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2024 ERTH Power connected 95.11% of its 348 new residential and small businesses to the distribution system within the required 5-day window that has been determined by the Ontario Energy Board. New connections have continued to increase annually since 2016 with 2024 achieving significant growth in new connections. ERTH Power has been able to maintain its strong level of performance even with the increases in new connections over the past few years. ERTH Power expects to continue to maintain the current level of performance in 2025.

- **Scheduled Appointments Met On Time**

ERTH Power scheduled 213 appointments with its customers in 2024 to complete work that required staff to attend the location. Consistent with prior years (100%), ERTH Power met 99.53% of these appointments on time, which significantly exceeds the industry target of 90%. ERTH Power expects to continue this level of service in 2025.

- **Telephone Calls Answered On Time**

In 2024 ERTH Power customer service staff received 22,865 calls (an 18% increase over 2023) and achieved a service level of 86.49% in answering those calls within 30 seconds which significantly exceeds the industry target of 65%. At the same time, only 3.66% of calls received were abandoned prior to customers speaking with an agent. ERTH Power will look to continue with its excellent call center performance in 2025.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements were introduced by the Ontario Energy Board on July 1, 2015. The OEB plans to review the information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary to achieve meaningful comparable information across electricity distributors.

For ERTH Power, First Contact Resolution was measured based upon actual calls received from customers with respect to the same or similar issue and calculated this number as a percentage of all customer contacts received that resulted in the generation of an issue and for which a service order was created. The result was that 99.91% of customers' issues were dealt with on first contact. ERTH Power has maintained a level well above 96% since the target has been measured in 2016.

- **Billing Accuracy**

For the year 2024 ERTH Power issued 307,364 bills and achieved a billing accuracy of 97.01%, compared to a five-year average of 99.18%. The decrease was due to a single billing calculation issue that impacted 8,843 bills in 2024, significantly decreasing this year's billing accuracy statistic. This system issue affected bills issued in December 2024 and January 2025. ERTH Power identified and corrected the system issue in January 2025 and does not anticipate further issues of a similar nature to occur. ERTH Power continues to monitor its billing accuracy results and processes to maintain its historical high level of service.

- **Customer Satisfaction Survey Results**

At a minimum, electricity distributors are required to measure and report a customer satisfaction result at least every other year. Currently, the Ontario Energy Board is allowing electricity distributors to use their own discretion as to how they implement this measure. As a result, this measure may differ from other utilities in the Province. Surveys need to be completed every other year. In 2023, ERTH Power contracted RedHead Media to conduct the Ontario Energy Board regulated Customer Satisfaction Survey and scored a 76% satisfaction rate. ERTH Power is reviewing the results and will work diligently to address areas of concern and improve its customer satisfaction level.

## Safety

- **Public Safety**

This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. The Safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

In 2024 ERTH Power completed its survey of its customers (for the entire merged service territory) with respect to public awareness of Electrical Safety. ERTH Power utilized a third-party agency to survey its customers and ensure that an accurate sampling of its population was achieved. The results of this survey found that 83.9% of ERTH Power customers have strong awareness of electrical safety. The survey in 2023 resulted in a small decrease of less than 1% in awareness from the survey completed in 2022. ERTH Power will continue to work within its communities to ensure that this metric continues to improve in the future. This survey is required to be completed at a minimum every 2 years.

ERTH Power provides an Electrical Safety Awareness school program that targets grade one to eight throughout the schools in its service territory on a rotating basis. This program works to instill awareness of electrical safety at an early age and is an effort to ensure that all residents within the province are aware of and safe around electrical equipment.

- **Component B – Compliance with Ontario Regulation 22/04**

In 2024, ERTH Power was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and adherence to company procedures & policies. Ontario Regulation 22/04 - *Electrical Distribution Safety* establishes objective based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

- **Component C – Serious Electrical Incident Index**

ERTH Power reported no serious incidents on its scorecard for 2024. We will continue to value both public and employee safety as our top priority moving forward to ensure our track record remains positive

## System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

ERTH Power had an increase in 2024 of the number of hours that power to a customer is interrupted from 1.31 in 2023 to 1.51. ERTH Power results remain below industry averages and continue to perform well. The results in 2024 are slightly above the utility specific target; this target is the result of several years of excellent results that were at the lowest levels of all LDCs. The increase in 2024 is attributed to Scheduled Outages, which account for approximately 41% of the total, and were a result of three planned outages for upgrades/repairs to the system. All three outages were conducted through the night and resulted in minimal impact on customers. ERTH Power is working to mitigate these planned outages through an investment in a mobile substation that is expected to be delivered this year.

ERTH Power continues to view reliability of electricity service as a high priority for its customers and as such conducts a vegetation management program that ensures the whole system is trimmed every three years. Similarly, ERTH Power is dedicated to upgrading its assets to 27.6 kV to reduce its reliance on substations and thereby ensure that its reliability continues to be above average as aging stations are retired. This, combined with ERTH Power's commitment to review the worst performing feeders on a quarterly basis to potentially improve reliability, will ensure customers continue to receive excellent reliability from ERTH Power's system.

- **Average Number of Times that Power to a Customer is Interrupted**

ERTH Power's average number of times that power to a customer is interrupted has increased in 2024 but remains at the low end of the former range of acceptable results set by the Ontario Energy Board for the entire industry and among the best results in the province historically. When compared to the distributor specific target of 0.39, ERTH Power at 0.76 for 2024 was slightly higher than its own target.

ERTH Power will continue to monitor the age and condition of its' assets and outages to ensure that the capital spend is appropriate to ensure that the number of outages are maintained at a level below the OEB target as well within customer tolerance levels.

## Asset Management

- **Distribution System Plan Implementation Progress**

ERTH Power has completed its DSP and filed it with the OEB in September of 2017. The DSP has become the guiding document for tracking our capital spend. ERTH Power has detailed its 5 year spend and projects and has measured itself on an annual basis with respect to the actual spending level versus its plan. In 2023 ERTH Power spent approximately 99.3% of the dollars planned to be invested into its distribution system.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2024, for the fifth year in a row, ERTH Power was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs, with its operating costs being 7.2% less than predicted. Group 3 is considered “average efficiency” – in other words, ERTH Power costs are within the average cost range for distributors in the Province of Ontario. In 2024, 31% (17 distributors) of the Ontario distributors were ranked as “average efficiency”; 59% were ranked as “more efficient”; 9% were ranked as “least efficient. ERTH Power’s forward-looking goal is to advance to the “more efficient” group and management’s expectation is that efficiency performance will not decline. In 2024 ERTH Power’s performance improved by 0.7% in relation to expected results.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of ERTH Power’s capital and operating costs and dividing this cost figure by the total number of customers that ERTH Power serves. The cost performance result for 2024 is \$846/customer which is an increase of 4% over 2023 driven by increased interest rate expenses coupled by a period of significant increased costs due to inflation. ERTH Power is focused on cost containment to ensure value for its customers.

Like most distributors in the province, ERTH Power has experienced increases in its total costs required to deliver quality and reliable services to customers due to increases in inflation affecting its costs. Despite this inflation of costs and interest rates, ERTH Power has worked diligently to keep its cost of operations relatively flat and in doing so has been able to maintain its efficiency ranking of cohort 3 while merging with a utility that was ranked in cohort 5 prior to the merger. ERTH Power will continue to replace distribution assets proactively along a carefully managed timeframe in a manner that balances system risks and customer rate impacts.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that ERTH Power operates to serve its customers. ERTH Power’s 2024 rate is \$46,498 per Km of line, a 5% increase over the cost from 2023. This increase is due to significantly rising costs of material due to inflation and rising interest rates, coupled with increased capital spending to reinforce the distribution system and ensure reliability for ERTH Power’s customers.

ERTH Power staff have been diligent in ensuring that its costs are controlled and those efforts have resulted in these positive changes in cost changes year over year both by kilometers of line and cost per customer growth being less than inflation.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

ERTH Power received 3 renewable generation CIA's and all were completed on time in 2024.

- **New Micro-embedded Generation Facilities Connected On Time**

ERTH Power connected its Micro-embedded Generation Facilities on time in 2024.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations. ERTH Power current ratio remains stable at 0.70 for 2024 as compared to 0.52 in 2023.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. A debt-to-equity ratio of 1.5 indicates that a distributor is structured appropriately in line with the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. ERTH Power maintains a debt-to-equity structure that is in line with the deemed 60% to 40% capital mix as set out by the OEB.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

ERTH Power current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

ERTH Power's return achieved in 2024 was 9.08%, which is well within the +/-3% range allowed by the OEB. The average return over the past 5 years was 9.11%, which is also well within return included in ERTH Power approved rates. ERTH Power has been extremely successful at driving efficiencies through its merger, while balancing its incremental costs.

## Note to Readers of 2024 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.

**APPENDIX F**  
**Audited Financial Statements**

**TILLSONBURG HYDRO INC.**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2025**

# **TILLSONBURG HYDRO INC.**

**For the year ended December 31, 2025**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of  
**Tillsonburg Hydro Inc.**

### **Opinion**

We have audited the financial statements of Tillsonburg Hydro Inc. (the 'Entity'), which comprise the statement of financial position as at December 31, 2025, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

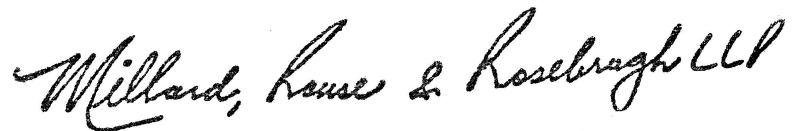
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report (that includes our opinion). Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



April 28, 2026  
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

# TILLSONBURG HYDRO INC.

## STATEMENT OF FINANCIAL POSITION

As at December 31	2025	2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank	923,787	62,282
Accounts receivable (Note 5)	2,131,615	2,302,347
Due from related parties (Note 7)	2,171,044	-
Income taxes recoverable	-	63,864
Unbilled revenue	2,195,919	2,023,080
Inventory (Note 6)	1,594,408	1,541,524
Prepaid expenses	289,125	260,259
Interest rate swaps (Note 12)	81,326	-
Right of use asset (Note 11)	514,402	630,871
Property, plant and equipment (Note 9)	24,915,937	22,861,036
Intangible assets (Note 8)	5,424	9,040
<b>Total Assets</b>	<b>34,822,987</b>	<b>29,754,303</b>
Regulatory assets (Note 13)	2,477,047	3,673,919
<b>Total Assets and Regulatory Balances</b>	<b>37,300,034</b>	<b>33,428,222</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	2,496,253	2,052,723
Income taxes payable	46,818	-
Due to related parties (Note 7)	-	1,508,274
Dividend payable	290,000	200,000
Current portion of long-term debt (Note 12)	82,162	-
Current portion of customer deposits	107,186	22,069
Deposits in aid of construction	881,991	700,917
	3,904,410	4,483,983
Long-term debt (Note 12)	11,364,833	8,500,000
Deferred tax liability (Note 15)	1,169,832	1,297,913
Customer deposits	417,898	464,748
Deferred contributions (Note 14)	6,017,270	5,127,060
Lease liabilities (Note 11)	542,708	642,908
<b>Total Liabilities</b>	<b>23,416,951</b>	<b>20,516,612</b>
<b>EQUITY</b>		
Share Capital (Note 16)	6,992,565	6,992,565
Contributed Surplus	990,388	990,388
Retained Earnings	5,586,156	4,719,047
<b>Total Equity</b>	<b>13,569,109</b>	<b>12,702,000</b>
<b>Total Liabilities and Equity</b>	<b>36,986,060</b>	<b>33,218,612</b>
Regulatory liabilities (Note 13)	313,974	209,610
<b>Total Liabilities, Equity and Regulatory Balances</b>	<b>37,300,034</b>	<b>33,428,222</b>

Approved on behalf of the Board of Directors:

See accompanying notes

# TILLSONBURG HYDRO INC.

## STATEMENT OF CHANGES IN EQUITY

<b>For the year ended December 31</b>	<b>2025</b>	<b>2024</b>
<b>Retained Earnings, Beginning of Year</b>	4,719,047	4,643,242
<b>Comprehensive Income</b>	1,157,109	275,805
Dividends	(290,000)	(200,000)
<b>Retained Earnings, End of Year</b>	<b>5,586,156</b>	<b>4,719,047</b>

# TILLSONBURG HYDRO INC.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2025	2024
<b>Revenue</b>		
Energy sales	25,907,627	22,793,940
Distribution services	5,290,975	4,556,266
Retail (Note 20)	12,320	12,558
Other (Note 20)	561,122	456,068
	31,772,044	27,818,832
Net non-utility activities (Note 10)	6,946	-
<b>Expenses</b>		
Operating and maintenance	948,327	786,953
Billing and collecting	768,534	836,450
General administration	1,412,685	1,599,717
Regulatory	81,937	79,329
	3,211,483	3,302,449
<b>Cost of Power</b>	24,688,943	23,371,026
<b>Income Before Depreciation, Interest and Income Taxes</b>	3,878,564	1,145,357
<b>Other Expenses</b>		
Depreciation	1,089,734	969,268
Net interest and finance charges (Note 21)	386,506	568,271
<b>Income (Loss) Before Income Taxes</b>	2,402,324	(392,182)
Income taxes (Note 15)	(56,021)	230,039
<b>Net Income (Loss)</b>	2,458,345	(622,221)
<b>Net Movement in Regulatory Balances</b>		
Net movement in regulatory balances	1,173,155	(652,123)
Deferred income tax (Note 15)	128,081	(245,903)
	1,301,236	(898,026)
<b>Comprehensive Income</b>	1,157,109	275,805

See accompanying notes

# TILLSONBURG HYDRO INC.

## STATEMENT OF CASH FLOWS

For the year ended December 31	2025	2024
<b>Cash Flows From Operating Activities</b>		
Comprehensive income for the year	1,157,109	275,805
Charges (credits) to income not involving cash:		
Depreciation	1,089,734	969,268
Gain on disposal of property, plant and equipment	-	(4,108)
Deferred tax asset (liability)	(128,081)	245,903
Net finance costs	386,506	568,271
	2,505,268	2,055,139
<b>Change in non-cash working capital:</b>		
Accounts receivable	170,732	(475,573)
Unbilled revenue	(172,839)	(72,822)
Inventory	(52,884)	(179,140)
Prepaid expenses	(28,866)	(125,152)
Accounts payable	443,530	380,814
Income taxes recoverable	110,682	(65,938)
Current portion of customer deposits	85,117	(11,465)
Deposits in aid of construction	181,074	(292,295)
	736,546	(841,571)
Cash flow from (used by) operating activities	3,241,814	1,213,568
<b>Investing Activities</b>		
Purchase of property, plant and equipment and intangibles	(3,024,550)	(2,082,094)
Deferred contributions	890,210	616,135
Proceeds on disposal of property, plant and equipment	-	41,302
Cash flow from (used by) investing activities	(2,134,340)	(1,424,657)
<b>Financing Activities</b>		
Dividends paid	(200,000)	(200,000)
Advances from related parties	(3,679,318)	890,525
Regulatory balances	1,301,236	(898,026)
Customer deposits	(46,850)	83,399
Proceeds from long-term debt	11,500,000	500,000
Repayments of long-term debt	(8,553,005)	-
Lease obligation	(100,200)	(55,903)
Finance costs	(467,832)	(568,271)
Cash flow from (used by) financing activities	(245,969)	(248,276)
<b>Net Change in Cash and Bank</b>	861,505	(459,365)
<b>Opening Cash and Bank</b>	62,282	521,647
<b>Closing Cash and Bank</b>	923,787	62,282

See accompanying notes

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 1. DESCRIPTION OF THE BUSINESS

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Tillsonburg Hydro Inc. (the Entity), was incorporated provincially under the Business Corporations Act of Ontario on October 26, 2000. The Entity's principal business activity is to distribute electrical power to the residents of the Town of Tillsonburg in accordance with Section 144 of the Electricity Act, 1998. The Entity operates under a licence issued by the Ontario Energy Board (OEB). The Entity is regulated by the OEB and adjustments to the Entity's distribution and power rates require OEB approval. The address of the Entity's registered office is 43 John Pound Road, Tillsonburg, Ontario, N4G 4G8.

### 2. BASIS OF PRESENTATION

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The Entity's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board (IASB).

**(a) Approval of the financial statements**

The financial statements were approved by the Board of Directors on April 28, 2026.

**(b) Basis of measurement**

The financial statements have been prepared on a historical cost basis, unless otherwise stated.

These financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

**(c) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is also the Entity's functional currency.

**(d) Subsequent events**

The Entity has evaluated the events and transactions occurring after December 31, 2025 through April 28, 2026, when the Board approved the financial statements, and identified the events and transactions which required recognition in the Entity's financial statements.

**(e) Rate setting and industry regulation**

The Ontario Energy Board Act (1998) (the Act) gave the Ontario Energy Board (OEB) powers and responsibilities to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounts treatment that may differ from IFRS for enterprises operating in a non-rate regulated environment.

The Act provides for a competitive market in the sale of electricity in addition to the regulation of the monopoly electricity delivery system in Ontario.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 2. BASIS OF PRESENTATION (Continued)

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(e) **Rate setting and industry regulation (continued)**

The OEB has regulatory authority over the electricity delivery sector. The Act set out the Board's powers to issue a distribution license, which must be obtained by any person owning or operating a distribution system under the Act. The Act allows the Board to prescribe license requirements and conditions to electricity distributors, which includes such considerations as specified accounting records, regulatory accounting principles, separation of accounts for separate businesses, and filing requirements for rate setting purposes.

With the commencement of the open market, the Entity purchases electricity from the Independent Electricity System Operator (IESO), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission, and other charges such as connection are collected by Tillsonburg Hydro Inc. and remitted to the IESO. The Entity retains the distribution charge on the customer hydro invoices. The OEB has the general power to include or exclude costs, revenues, losses, or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Entity. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Entity's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered on future rates. In addition, the Entity has recorded regulatory liabilities, which will represent amounts for expenses incurred in different periods than would be the case had the Entity been unregulated. Specific regulatory assets and liabilities are disclosed in note 13.

The Entity's approved distribution rates include components for the recovery of distribution expenses, regulatory assets and liabilities, and a rate of return on capital assets.

*Rate setting - Distribution revenue*

The Entity is required to file a "Cost of Service" ("COS") rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating and capital expenditures to support the Entity's business. The Entity estimates usage and the costs to service each customer class in order to determine the appropriate rates to be charged by each customer class. The COS rate application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (IRM) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS rate application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI FDI") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 2. BASIS OF PRESENTATION (Continued)

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(e) **Rate setting and industry regulation (continued)**

As a licensed distributor, the Entity 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. The Entity is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Entity ultimately collects these amounts from customers.

In April 2024 the Entity submitted a Cost of Service application to the OEB for Electricity Distribution rates. On November 12, the Entity received a decision from the OEB that approved changes to the rates that the Entity charges for electricity distribution, to be effective November 1, 2024.

In 2024, the Entity submitted an Incentive Rate-setting Mechanism (IRM) application to the OEB for 2025 Electricity Distribution rates. On March 25, 2025, the Entity received a decision from the OEB that approved changes to rates that the Entity charges for electricity distribution, to be effective May 1, 2025.

*Rate setting - Electricity rates*

The OEB sets electricity prices for certain low volume consumers once per year in November based upon an estimate of how much it will cost to supply the province with electricity in the coming year (Regulated Price Plan). Remaining customers will pay either the market price for electricity or the contracted price for electricity if they have enrolled with a retailer. The Entity is billed for the cost of the electricity that its customers use and passes this cost on to its customers without a markup.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) **Cash and cash equivalents**

Cash and cash equivalents consist of overnight deposits at a Canadian chartered bank.

(b) **Revenue recognition**

*Sale and distribution of electricity*

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include estimates of customer usage since the last meter reading to the end of the year (unbilled revenue). The Entity applies judgment to the measurement of the estimated consumption and to the valuation of the consumption.

Distribution revenue is recorded based on the approved OEB distribution rates to recover the costs of delivering electricity to customers. This revenue also includes revenue related to the collection of the rate riders approved by the OEB.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(b) Revenue recognition (continued)**

*Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Entity's obligation to continue to provide the customer access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Entity has concluded that the performance obligation is the supply of the electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

**(c) Accounts receivable**

Accounts receivable are recorded at the invoiced amount and overdue amounts bear interest at rates approved by the OEB. The Entity evaluated its allowance for doubtful accounts on its expected credit loss (ECL) model based on its historic credit loss experience. Accounts receivable are shown net of an allowance for doubtful accounts of \$113,222 (2024 - \$165,782).

**(d) Unbilled revenue**

Unbilled revenue is recorded based on an estimated amount for electricity delivered and not yet billed. The estimate is based on actual meter readings provided and analysed by a meter demand management company. Actual unbilled revenue could vary based on actual meter reading dates and the fiscal year end.

**(e) Inventory**

Inventory consists of repair parts, supplies, and material held for future capital expansion and maintenance activities and is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Items considered major spare parts are recorded as capital assets.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(f) Property, plant and equipment**

Property, plant, and equipment (PP&E) are measured at cost or deemed cost established on the transition date. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Parts of an item of property, plant, and equipment that have different useful lives are accounted for as separate items (major components) of property, plant and equipment.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

The cost of replacing a part of an item in PP&E is recognized in the net book value of the item if it probable that the future economic benefits embodied within the part will flow to the Entity and its cost can be measured reliably. In this event, the replaced part of the property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Entity has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is recognized in comprehensive income on a straight-line basis over the estimate useful life of each part or component of property, plant, and equipment. Land is not depreciated. Work in progress assets are not depreciated until the project is complete and the asset is available for use. The estimated useful lives are as follows:

Distribution station equipment	40 years
Poles, towers, and fixtures	50 years
Overhead conductors	60 years
Overhead devices	40 years
Underground conduit	50 years
Underground conductors and devices	30 years
Transformers	40 years
Services – overhead	50 years
Services – underground	40 years
Distribution meters	25 years
Smart meters	15 years
Leasehold improvements	6 years
Furniture and office equipment	5 years
Computer hardware	5 years
Computer software	5 years
Fleet	5 - 15 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting period.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(g) Impairment**

Property, plant, and equipment assets with finite lives are tested for recoverability at each reporting date to determine whether there is any indication of impairment. Any impairment is recognized in comprehensive income when the asset's carrying value exceeds its estimated recoverable amount.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. A reversal of an impairment charge is recognized immediately in comprehensive income. After such a reversal, the depreciation charge, where relevant, is adjusted in future periods on a systematic basis over the asset's remaining useful life.

The carrying amounts of the Entity's other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**(h) Customer deposits**

Deposits from electricity customers are cash collections to guarantee the payment of electricity bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Entity in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

**(i) Provisions**

A provision is recognized if, as a result of a past event, the Entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(j) Deferred income taxes**

Income taxes are reported using the deferred income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and deferred income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Deferred income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which deferred income taxes assets are likely to be realized, or deferred income tax liabilities settled. The effect of a change in tax rates on deferred income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(k) Payment in lieu of corporate income taxes**

Under the Electricity Act, the Entity provides for payments in lieu of corporate income taxes, also referred to as income tax expense, using the tax liability method. Under the tax liability method, current income taxes payable are recorded based on taxable income. The Entity recognizes deferred tax assets and liabilities for future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on the difference between the carrying value and their respective tax basis, using tax rates enacted or substantially enacted by the statement of financial position date that are in effect for the year in which the differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. The calculation of current and deferred taxes requires management to make certain judgments with respect to changes in tax interpretations, regulations, and legislation, and to estimate probable outcomes on the timing and reversal of temporary differences and tax authority audits of income tax.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits or liabilities associated with the revenue impact resulting from the realization of deferred taxes is recorded within regulatory balances.

**(l) Regulatory deferral accounts**

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Entity.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(l) Regulatory deferral accounts (continued)**

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2025 the rates were 3.64% (2024 - 5.49%) in quarter one, 3.16% (2024 - 5.49%) in quarter two, 2.91% (2024 - 5.20%) in quarter three and 2.91% (2024 - 4.40%) in quarter four.

**(m) Intangible Assets**

Intangible assets consist of a company website. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulate impairment (losses). Amortization is provided using the straight-line basis over 5 years.

**(n) Leases**

Leases are recognized, measured and presented in line with IFRS 16 'Leases'.

Leased assets are capitalized at the commencement date of the lease and comprise the initial lease liability amount plus direct costs incurred when entering the lease agreement.

The Entity depreciates the right-of-use asset on a straightline basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Entity also assesses the right of use asset for impairment when such indicators exist.

Lease liabilities are measured at the present value of the fixed and variable rate lease payments unpaid at the commencement of the lease, discounted at the Entity's incremental borrowing rate.

Valuation of lease liabilities and right of use assets

The application of IFRS 16 requires the company to make judgments that affect the valuation of the lease liabilities and the valuation of right of use assets. These include determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the company comprises non-cancelable periods of lease contracts, periods covered by an option to terminate the lease if the company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using the discount rate representing the rate of incremental borrowing costs of the company observed in the period when the lease contract commences or is modified.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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(o) **Measurement Uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- a) Note 3 - Revenue recognition - estimates of unbilled revenue
- b) Note 3 - Accounts receivable - allowance for impairment
- c) Note 3 - Property, plant, and equipment, useful lives and the identification of significant components of property, plant, and equipment
- d) Note 3, 13 - Recognition and measurement of regulatory balances
- e) Note 15 - Recognition of deferred tax assets - availability of future taxable income against which deductible temporary differences and tax loss carryforwards can be used.
- f) Note 3, 11 - Lease assets and liabilities

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 4. FINANCIAL INSTRUMENTS

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Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Entity's designation of such instruments. Settlement date accounting is used.

#### Classification

Cash and cash equivalents	Fair value through profit and loss (FVTPL)
Derivatives	Fair value through profit and loss (FVTPL)
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities
Due from/to related parties	Other financial assets/liabilities
Current portion of customer deposits	Other financial liabilities
Long-term debt	Other financial liabilities
Non-current portion of customer deposits	Other financial liabilities

#### Financial assets at FVTPL other than derivatives

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### Derivatives

Derivatives are subsequently measured at fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the underlying contract upon initial recognition and accounted for separately at FVTPL when the underlying contract is not a financial asset and certain conditions are met. The Entity does not use derivative instruments for speculative purposes.

Hedge accounting has not been used in the preparation of these financial statements.

#### Amortized cost

Subsequent to initial recognition, loans and receivables are accounted for at amortized cost using the effective interest method.

#### Other financial liabilities

Subsequent to initial recognition, other financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

#### Effective interest method

The Entity uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums, or discounts earned or incurred for financial instruments.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Entity has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 4. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements are established based on the following hierarchy that categorizes the inputs to valuation techniques:

Level 1 Fair value measurement based on quoted prices (unadjusted) observable in active markets for identical assets or liabilities

Level 2 Fair value measurement using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 Fair value measurement using inputs that are not based on observable market data (unobservable inputs)

The fair values of cash and cash equivalents approximate their carrying amounts due to their short-term nature.

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

<b>December 31, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total financial assets and liabilities at fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	923,787	-	-	923,787
Interest rate swaps	-	81,326	-	81,326
<b>Total Financial Assets</b>	<b>923,787</b>	<b>81,326</b>	<b>-</b>	<b>1,005,113</b>

<b>December 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total financial assets and liabilities at fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	62,282	-	-	62,282
<b>Total Financial Assets</b>	<b>62,282</b>	<b>-</b>	<b>-</b>	<b>62,282</b>

#### Impairment of financial assets

A financial asset is assessed using the lifetime expected credit losses (ECL) model to determine whether there is any objective evidence that it is impaired, using the simplified approach. This includes both quantitative and qualitative information and analysis, based on the Entity's historical experience, adjusted for forward-looking factors specific to the current credit environment.

The Entity measures the loss allowance at an amount equal to the lifetime ECL for accounts receivables or contract assets that result from transactions that are within the scope of IFRS 15, and do not contain a significant financing component. The Entity uses a provision matrix to measure the lifetime ECL of accounts receivable from individual customers which accounts for exposures in different customer classes.

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 4. FINANCIAL INSTRUMENTS (Continued)

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#### (a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Entity is exposed to credit risk from customers. In order to reduce its credit risk, the Entity reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Entity has a significant number of customers which minimizes concentration of credit risk. The Entity's distribution revenue is earned on a broad base of customers principally located in Tillsonburg, with no single customer that accounts for revenue or accounts receivable balance in excess of 10% of the respective balance.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. The carrying amount of accounts receivable is reduced through the use of the allowance. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2025 is \$113,222 (2024 - \$165,782). An impairment loss of \$(26,762) (2024 - \$60,474) was recognized during the year.

The Entity invests in short-term investments, depending on cash flow availability, which are not considered a credit risk.

#### (b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable. The Entity monitors its liquidity risk to ensure access to sufficient funds to meet operational requirements.

#### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk, and commodity price risk. The Entity does not currently have any material commodity or foreign exchange risk. The Entity is exposed to fluctuations in interest rates as the regulated rate of return for the Entity's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

#### (d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities.

The Entity holds derivative instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value using level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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5.	ACCOUNTS RECEIVABLE	2025	2024
	Trade receivables	2,215,335	2,500,244
	Other receivables	29,502	(32,115)
	Allowance for doubtful accounts	(113,222)	(165,782)
		<u>2,131,615</u>	<u>2,302,347</u>

### 6. INVENTORY

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The amount of inventory consumed by the Entity and recognized as an expense during the year was \$36,463 (2024 - \$23,064). An amount of \$Nil (2024 - \$Nil) was written down due to obsolescence.

### 7. RELATED PARTY TRANSACTIONS

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#### (a) Parent and ultimate controlling party

As the Corporation of the Town of Tillsonburg (Town) is the sole shareholder of the Entity, the Entity and the Town are considered related parties.

Banking and accounting activities are administered by the Town on behalf of Tillsonburg Hydro Inc. Amounts due from (to) related parties represent the net working capital position between the Town and the Entity. A Master Service Agreement (MSA), which was updated in 2013, governs the financial relationship between the Entity and the Town. These financial statements reflect this MSA. This MSA was updated for the year beginning January 1, 2019 and was approved by both parties as of January 28, 2019. The costing provisions set out in the agreement includes a fixed indirect fee of \$140,000 (2024 - \$140,000).

A summary of transactions between these related parties are as follows:

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	2025	2024
<u>Service based expenditures</u>		
Labour	2,317,729	2,227,394
Fleet	182,211	179,700
Rent	-	150,000
Master service agreement	140,000	140,000
	<u>2,639,940</u>	<u>2,697,094</u>

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	2025	2024
<u>Service based sales</u>		
Hydro billings	652,709	555,933
Capital projects	138,762	264,005
	<u>791,471</u>	<u>819,938</u>

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# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 7. RELATED PARTY TRANSACTIONS (Continued)

As disclosed the entity received \$Nil (2024 - \$264,005) in funds related to deposits on capital projects from the Town. These balances are included in the Deposits in Aid of Construction balance on the statement of financial position.

At year end outstanding balances due from (to) related parties was \$2,171,044 (2024 - \$(1,508,274)). Interest paid during the year on outstanding balances amounted to \$Nil (2024 - \$24,600).

The Entity also declared dividends to the Town of \$290,000 (2024 - \$200,000). The amounts due to and from related parties are non-interest bearing and unsecured if repaid in the following year. Amounts not paid within one year will be interest bearing.

#### (b) Key management personnel

They key management personnel of the Entity have been defined as members of the Board of Directors and the executive managerial team members:

The compensation paid or payable is as follows:

	2025	2024
Salaries and benefits and directors' fees	376,596	364,305

### 8. INTANGIBLE ASSETS

#### Cost

Cost - beginning of the year	18,080	18,080
Additions	-	-
Disposals	-	-
Cost - end of the year	18,080	18,080

#### Accumulated Amortization

Accumulated amortization - beginning of the year	9,040	5,424
Additions	3,616	3,616
Disposals	-	-
Accumulated amortization - end of the year	12,656	9,040

Net Book Value	5,424	9,040
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# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 9. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<b>2024 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>2025 Balance</b>
Substation land	11,520	-	-	11,520
Substation equipment	366,936	-	-	366,936
Distribution system	37,657,476	2,408,588	151,113	39,914,951
Fleet	-	598,400	-	598,400
Furniture and office equipment	16,015	-	-	16,015
Leasehold improvement	53,855	-	-	53,855
Computer hardware	28,403	3,685	-	32,088
Computer software	785,199	13,877	-	799,076
	<b>38,919,404</b>	<b>3,024,550</b>	<b>151,113</b>	<b>41,792,841</b>

<b>Accumulated Amortization</b>	<b>2024 Balance</b>	<b>Amortization</b>	<b>Accumulated Amortization on Disposals</b>	<b>2025 Balance</b>
Substation land	-	-	-	-
Substation equipment	192,815	12,792	-	205,607
Distribution system	15,050,594	879,498	151,113	15,778,979
Fleet	-	58,552	-	58,552
Furniture and office equipment	1,602	3,203	-	4,805
Leasehold improvement	4,488	8,976	-	13,464
Computer hardware	28,403	368	-	28,771
Computer software	780,466	6,260	-	786,726
	<b>16,058,368</b>	<b>969,649</b>	<b>151,113</b>	<b>16,876,904</b>

<b>Cost</b>	<b>2023 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>2024 Balance</b>
Substation land	11,520	-	-	11,520
Substation equipment	366,936	-	-	366,936
Distribution system	35,765,089	1,996,900	104,513	37,657,476
Furniture and office equipment	-	16,015	-	16,015
Leasehold improvement	-	53,855	-	53,855
Computer hardware	28,403	-	-	28,403
Computer software	769,875	15,324	-	785,199
	<b>36,941,823</b>	<b>2,082,094</b>	<b>104,513</b>	<b>38,919,404</b>

<b>Accumulated Amortization</b>	<b>2023 Balance</b>	<b>Amortization</b>	<b>Accumulated Amortization on Disposals</b>	<b>2024 Balance</b>
Substation land	-	-	-	-
Substation equipment	180,023	12,792	-	192,815
Distribution system	14,263,052	854,862	67,320	15,050,594
Furniture and office equipment	-	1,602	-	1,602
Leasehold improvement	-	4,488	-	4,488
Computer hardware	27,467	936	-	28,403
Computer software	757,434	23,032	-	780,466
	<b>15,227,976</b>	<b>897,712</b>	<b>67,320</b>	<b>16,058,368</b>

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

<b>Net Book Value</b>	<b>2025</b>	<b>2024</b>
Substation land	11,520	11,520
Substation equipment	161,329	174,121
Distribution system	24,135,972	22,606,882
Fleet	539,848	-
Furniture and office equipment	11,210	14,413
Leasehold improvement	40,391	49,367
Computer hardware	3,317	-
Computer software	12,350	4,733
	<b>24,915,937</b>	<b>22,861,036</b>

Included in distribution systems is \$307,341 of work in progress (2024 - \$616,535).

As at December 31, 2025, the property, plant and equipment are subject to a general security agreement as described in Note 12.

### 10. NET NON-UTILITY ACTIVITIES

The non-utility capital assets are comprised of solar powered equipment which is not regulated by the OEB, these assets are fully amortized. The net revenue generated from these assets is recorded in the non-utility activities.

### 11. LEASE ASSETS AND LIABILITIES

#### Right of Use Assets for Leased Building

	<b>2025</b>	<b>2024</b>
Opening balance	630,871	-
Additions	-	698,811
Depreciation	(116,469)	(67,940)
Ending balance	514,402	630,871

#### Lease Liabilities

	<b>2025</b>	<b>2024</b>
Opening balance	642,908	-
Additions	-	698,811
Payments	(133,836)	(78,071)
Interest expense	33,636	22,168
Ending balance	542,708	642,908

Future payments required under these leases are as follows:

2026 - \$105,989    2027 - \$114,488    2028 - \$125,294    2029 - \$136,850    2030 - \$60,088

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2025

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### 12. LONG-TERM DEBT

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During the year, the Entity renegotiated its outstanding debt, replacing its previous term loans with two new terms loans.

The first credit facility is a \$2,000,000 operating line (2024 - \$Nil) which has not been drawn on during the year. The interest rate on this line is prime less 0.30%.

The second term loan of \$7,000,000 (2024 - \$Nil) is fully drawn, non-revolving credit facility, due April 2030 with interest payable monthly at the monthly term CORRA plus 1.05%. On this term the Entity has an interest rates swap on a notional principal of \$7,000,000 maturing April 2030. The swap is held with TD Canada Trust. The interest rate swap agreement is in a net favourable position of \$24,118 as of December 31, 2025. This agreement has effectively converted variable interest rates on the CORRA to 2.625%. On maturity, the debt will return to a floating rate defined in the term loan.

The third term loan of \$4,500,000 (2024 - \$Nil) is fully drawn, non-revolving credit facility, due April 2030 with blended monthly payments of \$21,336, interest is calculated monthly at the monthly term CORRA plus 1.05%. At December 31, 2025 the outstanding balance was \$4,446,995. On this term the Entity has an interest rates swap on a notional principal of \$4,500,000 maturing April 2030. The swap is held with TD Canada Trust. The interest rate swap agreement is in a net favourable position of \$57,208 as of December 31, 2025. This agreement has effectively converted variable interest rates on the CORRA to 2.893%. On maturity, the debt will return to a floating rate defined in the term loan.

A general security agreement provides collateral for all the loans.

Estimated annual principal repayment requirements based upon regular scheduled payments, assuming renewals at similar payment terms, are as follows:

2026 - \$82,162    2027 - \$85,462    2028 - \$88,892    2029 - \$92,461    2030 - \$96,174

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 13. REGULATORY ASSETS AND LIABILITIES

The following expenses (recoveries) may be considered by the OEB in future rate applications and accordingly have been deferred until such time as direction is provided by the OEB.

	2024 Balance	Additions/ transfers	Recovery/ reversals	2025 Balance
Regulatory assets				
Retail settlement variances	1,092,374	(411,077)	-	681,297
Recovery of regulatory assets	1,283,632	225,654	(883,368)	625,918
Deferred tax asset	1,297,913	(128,081)	-	1,169,832
	3,673,919	(313,504)	(883,368)	2,477,047

	2023 Balance	Additions/ transfers	Recovery/ reversals	2024 Balance
Regulatory assets				
Retail settlement variances	1,761,934	(669,560)	-	1,092,374
Recovery of regulatory assets	107,383	1,245,692	(69,443)	1,283,632
Deferred tax asset	1,052,010	245,903	-	1,297,913
	2,921,327	822,035	(69,443)	3,673,919

	2024 Balance	Additions/ transfers	Recovery/ reversals	2025 Balance
Regulatory liabilities				
Retail settlement variances	204,681	102,552	-	307,233
Deferred costs	4,929	1,812	-	6,741
Deferred tax asset	-	-	-	-
	209,610	104,364	-	313,974

	2023 Balance	Additions/ transfers	Recovery/ reversals	2024 Balance
Regulatory liabilities				
Retail settlement variances	242,286	(37,605)	-	204,681
Deferred costs	112,758	(107,829)	-	4,929
Deferred tax asset	-	-	-	-
	355,044	(145,434)	-	209,610

The retail settlement variance accounts represent the difference between the amount charged by the IESO based on the settlement invoice and the amount billed to customers using the OEB approved rates. The disposition of these amounts is expected to be reflected in future rate adjustments.

The balance in the recovery of regulatory assets represents the amount that the OEB has considered final in prior applications and set a rate for recovery.

The Entity continually assesses the likelihood of recovery of each of its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Entity judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 14. DEFERRED CONTRIBUTIONS

Deferred customer contributions in aid of construction or acquisition of property, plant, and equipment is as follows:

	2025	2024
Deferred contributions, beginning of year	5,127,060	4,510,925
Add: deferred contributions received	1,082,344	774,419
Less: amounts recognized as other revenue	(192,134)	(158,284)
Deferred contributions, end of year	6,017,270	5,127,060

### 15. PAYMENTS IN LIEU OF CORPORATE TAXES

	2025	2024
Total current and deferred taxes	(56,021)	230,039
Deferred tax liabilities - opening	1,297,913	1,052,010
Deferred tax liabilities - ending	1,169,832	1,297,913
Deferred tax provision	128,081	(245,903)
Total current tax payable (recovery)	72,060	(15,864)

#### Reconciliation of effective tax rate

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate are as follows:

	2025	2024
Income (loss) before income taxes	2,402,324	(392,182)
Add: net movement in regulatory balances	(1,173,155)	652,123
	1,229,169	259,941
Expected taxes based on a statutory rate of 26.5% (2024 - 26.5%)	325,730	68,884
Capital cost allowance in excess of depreciation	(82,399)	(41,467)
Other additions and deductions	(171,271)	(43,281)
Under (Over) provision of prior years	-	-
Income tax expense (recovery)	72,060	(15,864)

Components of the Entity's deferred tax balances:

	2025	2024
Regulatory balances	263,209	574,095
Property, plant and equipment	2,487,149	2,085,678
Deferred contributions	(1,594,576)	(1,358,671)
Interest rate swap	21,551	-
Right of use assets and liabilities	(7,501)	(3,189)
	1,169,832	1,297,913

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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16. SHARE CAPITAL	2025	2024
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**Authorized**

Unlimited - Common voting shares

Unlimited - Class A shares non-voting, non-cumulative, redeemable

**Issued**

1	Common voting share	6,992,565	6,992,565
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17. CAPITAL MANAGEMENT
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The Entity defines capital as shareholders' equity and long term debt. As at December 31, 2025, shareholders equity amounts to \$13,569,109 (2024 - \$12,702,000) and long term debt amounts to \$11,364,833 (2024 - \$8,500,000) The Entity's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and utilize short-term funding sources to manage its capital requirements.

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18. EXPENSES BY NATURE	2025	2024
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Contracted services - salaries and benefits	1,434,955	1,443,483
Materials	36,463	23,046
Contracted services	591,821	651,541
Amortization	1,089,734	969,268
Corporate charges	525,172	597,476
Other	1,009,578	1,155,174
	<hr/> 4,687,723	<hr/> 4,839,988

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19. PRUDENTIAL SUPPORT
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Tillsonburg Hydro Inc. has posted a letter of credit with the Independent Electricity System Operator (IESO) in the amount of \$956,406 (2024 - \$956,406). The IESO is responsible for ensuring that prudential support is posted by all market participants to satisfy their prudential support and obligation and, therefore, mitigate the impact of an event of default by a market participant on the rest of the market.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

### 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Entity generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include services ancillary to the electricity distribution, pole rentals, other regulatory services charges and capital contributions.

	2025	2024
Revenue from contracts with customers		
Rent from electric property	60,436	43,032
Miscellaneous service revenue	190,614	190,365
Retail service revenue	12,320	12,558
	263,370	245,955
Deferred capital contribution	192,134	158,284
Other revenue	117,938	64,387
	573,442	468,626

### 21. NET INTEREST AND FINANCE COSTS

	2025	2024
Interest and finance costs:		
Interest on long term debt	424,419	500,558
Interest on amounts due to related parties	-	24,600
Interest on leases	33,636	9,336
Interest on guarantees and other	9,777	33,777
Total finance costs	467,832	568,271
Unrealized gain on interest rate swap	(81,326)	-
Net finance costs and unrealized swap adjustment gains in profit or loss	386,506	568,271

### 22. COMMITMENTS

#### (i) General

The Entity has entered into a lease agreement for the period of January 1, 2024 to May 31, 2027 for the location of 43 John Pound Road in Tillsonburg. Monthly costs over the remaining lease agreement are \$11,153. The Entity has an option to extend the lease agreement for a further three years at an increase of 3% per year.

#### (ii) General Liability Insurance

The Entity has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (the MEARIE Group). The MEARIE is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the MEARIE Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the periods which the Entity was a member.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

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### 23. SUBSEQUENT EVENTS

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Subsequent to year-end, employees were transferred to the Entity from its shareholder. As a result of the transfer, the Entity will assume responsibility for employee compensation and future employee benefits commencing in the subsequent financial year. This transfer occurred after the reporting date and did not give rise to an employee benefit obligation at year end. Accordingly, no adjustment has been made to the financial statements as at December 31, 2025. The Entity will assess and recognize any related employee benefit obligations in the 2026 fiscal year.

During the year, the Entity entered into a non-binding letter of intent to acquire shares in EARTH Corporation. The proposed transaction was approved by the shareholder on April 21, 2026. Tillsonburg Hydro Inc. is a regulated electricity distribution company serving the Town of Tillsonburg. The financial impact of the transaction cannot be reasonably estimated at this time.

### 24. EMERGING ACCOUNTING CHANGES

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Certain new standards, amendments and interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2026 or later periods that the Entity has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Entity are:

- (i) Amendments to classification and measurement of financial instruments (IFRS 7 and 9)
- (ii) Gain or loss on derecognition (IFRS 7)
- (iii) Guidance on implementing disclosure of difference between fair value and transaction price and credit risk disclosures (IFRS 7)
- (iv) Derecognition of lease liabilities and transaction price (IFRS 9)
- (v) Presentation and disclosure in financial statements (IFRS 18)

**TILLSONBURG HYDRO INC.**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2024**

# **TILLSONBURG HYDRO INC.**

**For the year ended December 31, 2024**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of  
**Tillsonburg Hydro Inc.**

### **Opinion**

We have audited the financial statements of Tillsonburg Hydro Inc. (the 'Entity'), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

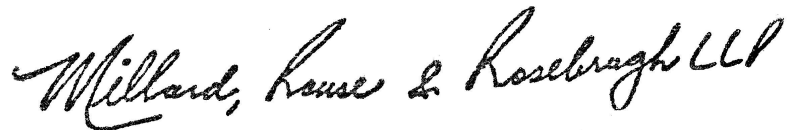
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



April 29, 2025  
Brantford, Ontario

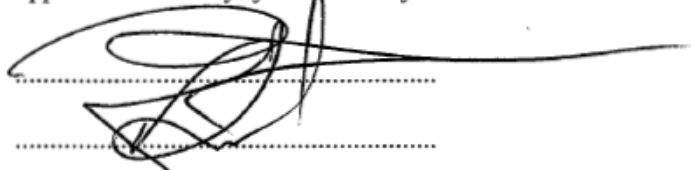
CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

# TILLSONBURG HYDRO INC.

## STATEMENT OF FINANCIAL POSITION

As at December 31	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank	62,282	521,647
Accounts receivable (Note 5)	2,302,347	1,826,774
Income taxes recoverable	63,864	-
Unbilled revenue	2,023,080	1,950,258
Inventory (Note 6)	1,541,524	1,362,384
Prepaid expenses	260,259	135,107
Right of use asset (Note 11)	630,871	-
Property, plant and equipment (Note 9)	22,861,036	21,713,848
Intangible assets (Note 8)	9,040	12,656
<b>Total Assets</b>	<b>29,754,303</b>	<b>27,522,674</b>
Regulatory assets (Note 13)	3,673,919	2,921,327
<b>Total Assets and Regulatory Balances</b>	<b>33,428,222</b>	<b>30,444,001</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	2,052,723	1,671,909
Income taxes payable	-	2,074
Due to related parties (Note 7)	1,708,274	817,749
Current portion of customer deposits	22,069	33,534
Deposits in aid of construction	700,917	993,212
	4,483,983	3,518,478
Long-term debt (Note 12)	8,500,000	8,000,000
Deferred tax liability (Note 15)	1,297,913	1,052,010
Customer deposits	464,748	381,349
Deferred contributions (Note 14)	5,127,060	4,510,925
Lease liabilities (Note 11)	642,908	-
<b>Total Liabilities</b>	<b>20,516,612</b>	<b>17,462,762</b>
<b>EQUITY</b>		
Share Capital (Note 16)	6,992,565	6,992,565
Contributed Surplus	990,388	990,388
Retained Earnings	4,719,047	4,643,242
<b>Total Equity</b>	<b>12,702,000</b>	<b>12,626,195</b>
<b>Total Liabilities and Equity</b>	<b>33,218,612</b>	<b>30,088,957</b>
Regulatory liabilities (Note 13)	209,610	355,044
<b>Total Liabilities, Equity and Regulatory Balances</b>	<b>33,428,222</b>	<b>30,444,001</b>

*Approved on behalf of the Board of Directors:*



# TILLSONBURG HYDRO INC.

## STATEMENT OF CHANGES IN EQUITY

<b>For the year ended December 31</b>	<b>2024</b>	<b>2023</b>
<b>Retained Earnings, Beginning of Year</b>	4,643,242	4,387,785
<b>Comprehensive Income</b>	275,805	530,457
Dividends	(200,000)	(275,000)
<b>Retained Earnings, End of Year</b>	<b>4,719,047</b>	<b>4,643,242</b>

# TILLSONBURG HYDRO INC.

## STATEMENT OF COMPREHENSIVE INCOME

<b>For the year ended December 31</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>		
Energy sales	22,793,940	20,815,500
Distribution services	4,556,266	4,295,944
Retail (Note 20)	11,685	12,910
Other (Note 20)	456,941	386,649
	27,818,832	25,511,003
Net non-utility activities (Note 10)	-	19,554
<b>Expenses</b>		
Operating and maintenance	786,953	643,826
Billing and collecting	836,450	732,527
General administration	1,599,717	1,492,717
Regulatory	79,329	40,841
	3,302,449	2,909,911
<b>Cost of Power</b>	23,371,026	20,951,930
<b>Income Before Depreciation, Interest and Income Taxes</b>	1,145,357	1,668,716
<b>Other Expenses</b>		
Depreciation	969,268	853,797
Interest and finance charges	568,271	484,001
<b>Income (Loss) Before Income Taxes</b>	(392,182)	330,918
Income taxes (Note 15)	230,039	210,110
<b>Net Income (Loss)</b>	(622,221)	120,808
<b>Net Movement in Regulatory Balances</b>		
Net movement in regulatory balances	(652,123)	(202,867)
Deferred income tax (Note 15)	(245,903)	(206,782)
	(898,026)	(409,649)
<b>Comprehensive Income</b>	275,805	530,457

See accompanying notes

# TILLSONBURG HYDRO INC.

## STATEMENT OF CASH FLOWS

For the year ended December 31	2024	2023
<b>Cash Flows From Operating Activities</b>		
Comprehensive income for the year	275,805	530,457
Charges (credits) to income not involving cash:		
Depreciation	969,268	853,797
Gain on disposal of property, plant and equipment	(4,108)	-
Deferred tax asset (liability)	245,903	206,782
	1,486,868	1,591,036
Change in non-cash working capital:		
Accounts receivable	(475,573)	(46,899)
Unbilled revenue	(72,822)	168,308
Inventory	(179,140)	(536,567)
Prepaid expenses	(125,152)	(78,878)
Accounts payable	380,814	(272,794)
Income taxes recoverable	(65,938)	(12,604)
Current portion of customer deposits	(11,465)	(12,244)
Deposits in aid of construction	(292,295)	536,340
	(841,571)	(255,338)
Cash flow from (used by) operating activities	645,297	1,335,698
<b>Investing Activities</b>		
Purchase of property, plant and equipment and intangibles	(2,082,094)	(2,603,627)
Deferred contributions	616,135	282,370
Proceeds on disposal of property, plant and equipment	41,302	-
Cash flow from (used by) investing activities	(1,424,657)	(2,321,257)
<b>Financing Activities</b>		
Dividends paid	(200,000)	(275,000)
Advances from related parties	890,525	(1,678,637)
Regulatory balances	(898,026)	(409,649)
Customer deposits	83,399	77,417
Proceeds from long-term debt	500,000	3,000,000
Lease obligation	(55,903)	-
Cash flow from (used by) financing activities	319,995	714,131
<b>Net Change in Cash and Bank</b>	<b>(459,365)</b>	<b>(271,428)</b>
<b>Opening Cash and Bank</b>	<b>521,647</b>	<b>793,075</b>
<b>Closing Cash and Bank</b>	<b>62,282</b>	<b>521,647</b>

See accompanying notes

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 1. DESCRIPTION OF THE BUSINESS

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Tillsonburg Hydro Inc. (the Entity), was incorporated provincially under the Business Corporations Act of Ontario on October 26, 2000. The Entity's principal business activity is to distribute electrical power to the residents of the Town of Tillsonburg in accordance with Section 144 of the Electricity Act, 1998. The Corporation operates under a licence issued by the Ontario Energy Board (OEB). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval. The address of the Corporation's registered office is 43 John Pound Road, Tillsonburg, Ontario, N4G 4G8.

### 2. BASIS OF PRESENTATION

---

The Entity's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board (IASB).

**(a) Approval of the financial statements**

The financial statements were approved by the Board of Directors on April 29, 2025.

**(b) Basis of measurement**

The financial statements have been prepared on a historical cost basis, unless otherwise stated.

These financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

**(c) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is also the Entity's functional currency.

**(d) Subsequent events**

The Entity has evaluated the events and transactions occurring after December 31, 2024 through April 29, 2025, when the Board approved the financial statements, and identified the events and transactions which required recognition in the Entity's financial statements.

**(e) Rate setting and industry regulation**

The Ontario Energy Board Act (1998) (the Act) gave the Ontario Energy Board (OEB) powers and responsibilities to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounts treatment that may differ from IFRS for enterprises operating in a non-rate regulated environment.

The Act provides for a competitive market in the sale of electricity in addition to the regulation of the monopoly electricity delivery system in Ontario.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 2. BASIS OF PRESENTATION (Continued)

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(e) **Rate setting and industry regulation (continued)**

The OEB has regulatory authority over the electricity delivery sector. The Act set out the Board's powers to issue a distribution license, which must be obtained by any person owning or operating a distribution system under the Act. The Act allows the Board to prescribe license requirements and conditions to electricity distributors, which includes such considerations as specified accounting records, regulatory accounting principles, separation of accounts for separate businesses, and filing requirements for rate setting purposes.

With the commencement of the open market, the Corporation purchases electricity from the Independent Electricity System Operator (IESO), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission, and other charges such as connection are collected by Tillsonburg Hydro Inc. and remitted to the IESO. The Corporation retains the distribution charge on the customer hydro invoices. The OEB has the general power to include or exclude costs, revenues, losses, or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Corporation. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered on future rates. In addition, the Corporation has recorded regulatory liabilities, which will represent amounts for expenses incurred in different periods than would be the case had the Corporation been unregulated. Specific regulatory assets and liabilities are disclosed in note 13.

The Corporation's approved distribution rates include components for the recovery of distribution expenses, regulatory assets and liabilities, and a rate of return on capital assets.

*Rate setting - Distribution revenue*

The Corporation is required to file a "Cost of Service" ("COS") rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating and capital expenditures to support the Corporation's business. The Corporation estimates usage and the costs to service each customer class in order to determine the appropriate rates to be charged by each customer class. The COS rate application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (IRM) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS rate application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI FDI") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 2. BASIS OF PRESENTATION (Continued)

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(e) **Rate setting and industry regulation (continued)**

As a licensed distributor, the Corporation 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. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

In April 2024 the Corporation submitted a Cost of Service application to the OEB for Electricity Distribution rates. On November 12, the Corporation received a decision from the OEB that approved changes to the rates that the Corporation charges for electricity distribution, to be effective November 1, 2024.

In 2024, the Corporation submitted an Incentive Rate-setting Mechanism (IRM) application to the OEB for 2025 Electricity Distribution rates. On March 25, 2025, the Corporation received a decision from the OEB that approved changes to rates that the Corporation charges for electricity distribution, to be effective May 1, 2025.

*Rate setting - Electricity rates*

The OEB sets electricity prices for certain low volume consumers once per year in November based upon an estimate of how much it will cost to supply the province with electricity in the coming year (Regulated Price Plan). Remaining customers will pay either the market price for electricity or the contracted price for electricity if they have enrolled with a retailer. The Company is billed for the cost of the electricity that its customers use and passes this cost on to its customers without a markup.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) **Cash and cash equivalents**

Cash and cash equivalents consist of overnight deposits at a Canadian chartered bank.

(b) **Revenue recognition**

*Sale and distribution of electricity*

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include estimates of customer usage since the last meter reading to the end of the year (unbilled revenue). The Entity applies judgment to the measurement of the estimated consumption and to the valuation of the consumption.

Distribution revenue is recorded based on the approved OEB distribution rates to recover the costs of delivering electricity to customers. This revenue also includes revenue related to the collection of the rate riders approved by the OEB.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

---

**(b) Revenue recognition (continued)**

*Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Entity's obligation to continue to provide the customer access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Entity has concluded that the performance obligation is the supply of the electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

**(c) Accounts receivable**

Accounts receivable are recorded at the invoiced amount and overdue amounts bear interest at rates approved by the OEB. The Corporation evaluated its allowance for doubtful accounts on its expected credit loss (ECL) model based on its historic credit loss experience. Accounts receivable are shown net of an allowance for doubtful accounts of \$165,782 (2023 - \$176,833).

**(d) Unbilled revenue**

Unbilled revenue is recorded based on an estimated amount for electricity delivered and not yet billed. The estimate is based on actual meter readings provided and analysed by a meter demand management company. Actual unbilled revenue could vary based on actual meter reading dates and the fiscal year end.

**(e) Inventory**

Inventory consists of repair parts, supplies, and material held for future capital expansion and maintenance activities and is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis. Items considered major spare parts are recorded as capital assets.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

---

**(f) Property, plant and equipment**

Property, plant, and equipment (PP&E) are measured at cost or deemed cost established on the transition date. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Parts of an item of property, plant, and equipment that have different useful lives are accounted for as separate items (major components) of property, plant and equipment.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

The cost of replacing a part of an item in PP&E is recognized in the net book value of the item if it probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of the property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is recognized in comprehensive income on a straight-line basis over the estimate useful life of each part or component of property, plant, and equipment. Land is not depreciated. Work in progress assets are not depreciated until the project is complete and the asset is available for use. The estimated useful lives are as follows:

Distribution station equipment	40 years
Poles, towers, and fixtures	50 years
Overhead conductors	60 years
Overhead devices	40 years
Underground conduit	50 years
Underground conductors and devices	30 years
Transformers	40 years
Services – overhead	50 years
Services – underground	40 years
Distribution meters	25 years
Smart meters	15 years
Leasehold improvements	6 years
Furniture and office equipment	5 years
Computer hardware	5 years
Computer software	5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting period.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

---

**(g) Impairment**

Property, plant, and equipment assets with finite lives are tested for recoverability at each reporting date to determine whether there is any indication of impairment. Any impairment is recognized in comprehensive income when the asset's carrying value exceeds its estimated recoverable amount.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. A reversal of an impairment charge is recognized immediately in comprehensive income. After such a reversal, the depreciation charge, where relevant, is adjusted in future periods on a systematic basis over the asset's remaining useful life.

The carrying amounts of the Entity's other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**(h) Customer deposits**

Deposits from electricity customers are cash collections to guarantee the payment of electricity bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

**(i) Provisions**

A provision is recognized if, as a result of a past event, the Entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(j) Deferred income taxes**

Income taxes are reported using the deferred income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and deferred income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Deferred income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which deferred income taxes assets are likely to be realized, or deferred income tax liabilities settled. The effect of a change in tax rates on deferred income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(k) Payment in lieu of corporate income taxes**

Under the Electricity Act, the Corporation provides for payments in lieu of corporate income taxes, also referred to as income tax expense, using the tax liability method. Under the tax liability method, current income taxes payable are recorded based on taxable income. The Entity recognizes deferred tax assets and liabilities for future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on the difference between the carrying value and their respective tax basis, using tax rates enacted or substantially enacted by the statement of financial position date that are in effect for the year in which the differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. The calculation of current and deferred taxes requires management to make certain judgments with respect to changes in tax interpretations, regulations, and legislation, and to estimate probable outcomes on the timing and reversal of temporary differences and tax authority audits of income tax.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits or liabilities associated with the revenue impact resulting from the the realization of deferred taxes is recorded within regulatory balances.

**(l) Regulatory deferral accounts**

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Entity.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**(l) Regulatory deferral accounts (continued)**

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2024 the rates were 5.49% (2023 - 4.73%) in quarter one, 5.49% (2023 - 4.98%) in quarter two, 5.20% (2023 - 4.98%) in quarter three and 4.40% (2023 - 5.49%) in quarter four.

**(m) Intangible Assets**

Intangible assets consist of a company website. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulate impairment (losses). Amortization is provided using the straight-line basis over 5 years.

**(n) Leases**

Leases are recognized, measured and presented in line with IFRS 16 'Leases'.

Leased assets are capitalized at the commencement date of the lease and comprise the initial lease liability amount plus direct costs incurred when entering the lease agreement.

The Company depreciates the right-of-use asset on a straightline basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Company also assesses the right of use asset for impairment when such indicators exist.

Lease liabilities are measured at the present value of the fixed and variable rate lease payments unpaid at the commencement of the lease, discounted at the Entity's incremental borrowing rate.

Valuation of lease liabilities and right of use assets

The application of IFRS 16 requires the company to make judgments that affect the valuation of the lease liabilities and the valuation of right of use assets. These include determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the company comprises non-cancelable periods of lease contracts, periods covered by an option to terminate the lease if the company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using the discount rate representing the rate of incremental borrowing costs of the company observed in the period when the lease contract commences or is modified.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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(o) **Measurement Uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- a) Note 3 - Revenue recognition - estimates of unbilled revenue
- b) Note 3 - Accounts receivable - allowance for impairment
- c) Note 3 - Property, plant, and equipment, useful lives and the identification of significant components of property, plant, and equipment
- d) Note 3, 13 - Recognition and measurement of regulatory balances
- e) Note 15 - Recognition of deferred tax assets - availability of future taxable income against which deductible temporary differences and tax loss carryforwards can be used.
- f) Note 3, 11 - Lease assets and liabilities

**TILLSONBURG HYDRO INC.**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2024**

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**4. FINANCIAL INSTRUMENTS**

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Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Entity’s designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Fair value through profit and loss (FVTPL)
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities
Due from/to related parties	Other financial assets/liabilities
Current portion of customer deposits	Other financial liabilities
Long-term debt	Other financial liabilities
Non-current portion of customer deposits	Other financial liabilities

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Amortized cost

Subsequent to initial recognition, loans and receivables are accounted for at amortized cost using the effective interest method.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Entity uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums, or discounts earned or incurred for financial instruments.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Entity has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 4. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements are established based on the following hierarchy that categorizes the inputs to valuation techniques:

Level 1 Fair value measurement based on quoted prices (unadjusted) observable in active markets for identical assets or liabilities

Level 2 Fair value measurement using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 Fair value measurement using inputs that are not based on observable market data (unobservable inputs)

The fair values of cash and cash equivalents approximate their carrying amounts due to their short-term nature.

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

<b>December 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total financial assets and liabilities at fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	62,282	-	-	62,282
<b>Total Financial Assets</b>	<b>62,282</b>	<b>-</b>	<b>-</b>	<b>62,282</b>

<b>December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total financial assets and liabilities at fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	521,647	-	-	521,647
<b>Total Financial Assets</b>	<b>521,647</b>	<b>-</b>	<b>-</b>	<b>521,647</b>

#### Impairment of financial assets

A financial asset is assessed using the lifetime expected credit losses (ECL) model to determine whether there is any objective evidence that it is impaired, using the simplified approach. This includes both quantitative and qualitative information and analysis, based on the Entity's historical experience, adjusted for forward-looking factors specific to the current credit environment.

The Entity measures the loss allowance at an amount equal to the lifetime ECL for accounts receivables or contract assets that result from transactions that are within the scope of IFRS 15, and do not contain a significant financing component. The Entity uses a provision matrix to measure the lifetime ECL of accounts receivable from individual customers which accounts for exposures in different customer classes.

If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 4. FINANCIAL INSTRUMENTS (Continued)

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#### (a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Corporation has a significant number of customers which minimizes concentration of credit risk. The Corporation's distribution revenue is earned on a broad base of customers principally located in Tillsonburg, with no single customer that accounts for revenue or accounts receivable balance in excess of 10% of the respective balance.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. The carrying amount of accounts receivable is reduced through the use of the allowance. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$165,782 (2023 - \$176,833). An impairment loss of \$60,474 (2023 - \$60,000) was recognized during the year.

The Entity invests in short-term investments, depending on cash flow availability, which are not considered a credit risk.

#### (b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable. The Entity monitors its liquidity risk to ensure access to sufficient funds to meet operational requirements.

#### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk, and commodity price risk. The Entity does not currently have any material commodity or foreign exchange risk. The Entity is exposed to fluctuations in interest rates as the regulated rate of return for the Entity's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

#### (d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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5.	ACCOUNTS RECEIVABLE	2024	2023
	Trade receivables	2,500,244	1,894,560
	Other receivables	(32,115)	109,047
	Allowance for doubtful accounts	(165,782)	(176,833)
		<u>2,302,347</u>	<u>1,826,774</u>

### 6. INVENTORY

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The amount of inventory consumed by the Corporation and recognized as an expense during the year was \$23,064 (2023 - \$22,312). An amount of \$Nil (2023 - \$Nil) was written down due to obsolescence.

### 7. RELATED PARTY TRANSACTIONS

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#### (a) Parent and ultimate controlling party

As the Corporation of the Town of Tillsonburg (Town) is the sole shareholder of the Entity, the Entity and the Town are considered related parties.

Banking and accounting activities are administered by the Town on behalf of Tillsonburg Hydro Inc. Amounts due from (to) related parties represent the net working capital position between the Town and the Corporation. A Master Service Agreement (MSA), which was updated in 2013, governs the financial relationship between the Entity and the Town. These financial statements reflect this MSA. This MSA was updated for the year beginning January 1, 2019 and was approved by both parties as of January 28, 2019. The costing provisions set out in the agreement includes a fixed indirect fee of \$140,000 (2023 - \$140,000).

A summary of transactions between these related parties are as follows:

	2024	2023
<u>Service based expenditures</u>		
Labour	2,227,394	2,050,703
Fleet	179,700	172,677
Rent	150,000	150,000
Master service agreement	140,000	140,000
	<u>2,697,094</u>	<u>2,513,380</u>
	<u>2024</u>	<u>2023</u>
<u>Service based sales</u>		
Hydro billings	555,933	485,118
Capital projects	264,005	132,488
	<u>819,938</u>	<u>617,606</u>

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 7. RELATED PARTY TRANSACTIONS (Continued)

As disclosed the entity received \$264,005 (2023 - \$190,680) in funds related to deposits on capital projects from the Town. These balances are included in the Deposits in Aid of Construction balance on the statement of financial position.

At year end outstanding balances due from (to) related parties was \$1,708,274 (2023 - \$817,749). Interest paid during the year on outstanding balances amounted to \$24,600 (2023 - \$153,954).

The Entity also declared dividends to the Town of \$200,000 (2023 - \$275,000). The amounts due to and from related parties are non-interest bearing and unsecured if repaid in the following year. Amounts not paid within one year will be interest bearing.

#### (b) Key management personnel

They key management personnel of the Corporation have been defined as members of the Board of Directors and the executive managerial team members:

The compensation paid or payable is as follows:

	2024	2023
Salaries and benefits and directors' fees	364,305	399,016

### 8. INTANGIBLE ASSETS

#### Cost

Cost - beginning of the year	18,080	18,080
Additions	-	-
Disposals	-	-
Cost - end of the year	18,080	18,080

#### Accumulated Amortization

Accumulated amortization - beginning of the year	5,424	1,898
Additions	3,616	3,526
Disposals	-	-
Accumulated amortization - end of the year	9,040	5,424

Net Book Value	9,040	12,656
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# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 9. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<b>2023 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>2024 Balance</b>
Substation land	11,520	-	-	11,520
Substation equipment	366,936	-	-	366,936
Distribution system	35,765,089	1,996,900	104,513	37,657,476
Furniture and office equipment	-	16,015	-	16,015
Leasehold improvement	-	53,855	-	53,855
Computer hardware	28,403	-	-	28,403
Computer software	769,875	15,324	-	785,199
	<b>36,941,823</b>	<b>2,082,094</b>	<b>104,513</b>	<b>38,919,404</b>

<b>Accumulated Amortization</b>	<b>2023 Balance</b>	<b>Amortization</b>	<b>Accumulated Amortization on Disposals</b>	<b>2024 Balance</b>
Substation land	-	-	-	-
Substation equipment	180,023	12,792	-	192,815
Distribution system	14,263,052	854,862	67,320	15,050,594
Furniture and office equipment	-	1,602	-	1,602
Leasehold improvement	-	4,488	-	4,488
Computer hardware	27,467	936	-	28,403
Computer software	757,434	23,032	-	780,466
	<b>15,227,976</b>	<b>897,712</b>	<b>67,320</b>	<b>16,058,368</b>

<b>Cost</b>	<b>2022 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>2023 Balance</b>
Substation land	11,520	-	-	11,520
Substation equipment	366,936	-	-	366,936
Distribution system	33,228,593	2,597,600	61,104	35,765,089
Computer hardware	28,403	-	-	28,403
Computer software	763,848	6,027	-	769,875
	<b>34,399,300</b>	<b>2,603,627</b>	<b>61,104</b>	<b>36,941,823</b>

<b>Accumulated Amortization</b>	<b>2022 Balance</b>	<b>Amortization</b>	<b>Accumulated Amortization on Disposals</b>	<b>2023 Balance</b>
Substation land	-	-	-	-
Substation equipment	167,230	12,792	-	180,022
Distribution system	13,531,707	792,449	61,104	14,263,052
Computer hardware	25,763	1,704	-	27,467
Computer software	714,109	43,325	-	757,434
	<b>14,438,809</b>	<b>850,270</b>	<b>61,104</b>	<b>15,227,975</b>

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Net Book Value	2024	2023
Substation land	11,520	11,520
Substation equipment	174,121	186,914
Distribution system	22,606,882	21,502,037
Furniture and office equipment	14,413	-
Leasehold improvement	49,367	-
Computer hardware	-	936
Computer software	4,733	12,441
22,861,036	22,861,036	21,713,848

Included in distribution systems is \$616,535 of work in progress (2023 - \$298,898).

As at December 31, 2024, the property, plant and equipment are subject to a general security agreement as described in Note 12.

### 10. NET NON-UTILITY ACTIVITIES

The non-utility capital assets are comprised of solar powered equipment which is not regulated by the OEB, these assets are fully amortized. The net revenue generated from these assets is recorded in the non-utility activities.

### 11. LEASE ASSETS AND LIABILITIES

#### Right of Use Assets for Leased Building

	2024	2023
Opening balance	-	-
Additions	698,811	-
Depreciation	(67,940)	-
Ending balance	630,871	-

#### Lease Liabilities

	2024	2023
Opening balance	-	-
Additions	698,811	-
Payments	(78,071)	-
Interest expense	22,168	-
Ending balance	642,908	-

Future payments required under these leases are as follows:

2025 - \$100,120    2026 - \$105,989    2027 - \$114,488    2028 - \$125,294    2029 - \$136,850

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 12. LONG-TERM DEBT

During 2023, the Entity was approved to borrow \$8,500,000 for capital project at prime rate of interest less 0.65%. As of December 31, 2024, the Corporation had been advanced \$8,500,000 (2023 - \$8,000,000). The loan has interest only payments, TD Prime less 0.65% per annum, for two years after the final draw, which can be extended for one more year upon approved request. Full repayment is due upon contractual term maturity. As a result, the \$8,500,000 has been reflected in the financial statements as long-term debt. A general security agreement provides collateral for the loan.

### 13. REGULATORY ASSETS AND LIABILITIES

The following expenses (recoveries) may be considered by the OEB in future rate applications and accordingly have been deferred until such time as direction is provided by the OEB.

	2023 Balance	Additions/ transfers	Recovery/ reversals	2024 Balance
Regulatory assets				
Retail settlement variances	1,761,934	(669,560)	-	1,092,374
Recovery of regulatory assets	107,383	1,245,692	(69,443)	1,283,632
Deferred tax asset	1,052,010	245,903	-	1,297,913
	2,921,327	822,035	(69,443)	3,673,919

	2022 Balance	Additions/ transfers	Recovery/ reversals	2023 Balance
Regulatory assets				
Retail settlement variances	1,422,269	175,674	163,991	1,761,934
Recovery of regulatory assets	58,303	49,080	-	107,383
Deferred tax asset	845,228	206,782	-	1,052,010
	2,325,800	431,536	163,991	2,921,327

	2023 Balance	Additions/ transfers	Recovery/ reversals	2024 Balance
Regulatory liabilities				
Retail settlement variances	242,286	(37,605)	-	204,681
Deferred costs	112,758	(107,829)	-	4,929
Deferred tax asset	-	-	-	-
	355,044	(145,434)	-	209,610

	2022 Balance	Additions/ transfers	Recovery/ reversals	2023 Balance
Regulatory liabilities				
Retail settlement variances	76,872	166,749	(1,335)	242,286
Deferred costs	92,294	20,464	-	112,758
Deferred tax asset	-	-	-	-
	169,166	187,213	(1,335)	355,044

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 13. REGULATORY ASSETS AND LIABILITIES (Continued)

The retail settlement variance accounts represent the difference between the amount charged by the IESO based on the settlement invoice and the amount billed to customers using the OEB approved rates. The disposition of these amounts is expected to be reflected in future rate adjustments.

The balance in the recovery of regulatory assets represents the amount that the OEB has considered final in prior applications and set a rate for recovery.

The Entity continually assesses the likelihood of recovery of each of its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Entity judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 14. DEFERRED CONTRIBUTIONS

Deferred customer contributions in aid of construction or acquisition of property, plant, and equipment is as follows:

	2024	2023
Deferred contributions, beginning of year	4,510,925	4,228,555
Add: deferred contributions received	774,419	425,653
Less: amounts recognized as other revenue	(158,284)	(143,283)
Deferred contributions, end of year	5,127,060	4,510,925

### 15. PAYMENTS IN LIEU OF CORPORATE TAXES

	2024	2023
Total current and deferred taxes	230,039	210,110
Prior year underprovision	-	-
Deferred tax liabilities - opening	1,052,010	845,228
Deferred tax liabilities - ending	1,297,913	1,052,010
Deferred tax provision	(245,903)	(206,782)
Total current tax payable (recovery)	(15,864)	3,328

#### Reconciliation of effective tax rate

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate are as follows:

	2024	2023
Income (loss) before income taxes	(392,182)	330,918
Add: net movement in regulatory balances	652,123	202,867
	259,941	533,785
Expected taxes based on a statutory rate of 26.5% (2023 - 26.5%)	68,884	141,453
Capital cost allowance in excess of depreciation	(41,467)	(99,626)
Other additions and deductions	(43,281)	(38,499)
Under (Over) provision of prior years	-	-
Income tax expense (recovery)	(15,864)	3,328

Components of the Entity's deferred tax balances:

	2024	2023
Regulatory balances	574,095	416,986
Property, plant and equipment	2,085,678	1,830,419
Deferred contributions	(1,358,671)	(1,195,395)
Right of use assets and liabilities	(3,189)	-
	1,297,913	1,052,010

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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16. SHARE CAPITAL	2024	2023
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**Authorized**

Unlimited - Common voting shares

Unlimited - Class A shares non-voting, non-cumulative, redeemable

**Issued**

1	Common voting share	6,992,565	6,992,565
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17. CAPITAL MANAGEMENT
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The Entity defines capital as shareholders' equity and long term debt. As at December 31, 2024, shareholders equity amounts to \$12,702,000 (2023 - \$12,626,195) and long term debt amounts to \$8,500,000 (2023 - \$8,000,000) The Corporation's objectives when managing capital are to ensure sufficient liquidity to supports its financial obligations and execute its operating and strategic plans; maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and utilize short-term funding sources to manage its capital requirements.

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18. EXPENSES BY NATURE	2024	2023
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Contracted services - salaries and benefits	1,443,483	1,309,675
Materials	23,046	22,312
Contracted services	651,541	524,422
Amortization	969,268	853,797
Corporate charges	597,476	518,860
Other	1,155,174	1,018,643
	<hr/> 4,839,988	<hr/> 4,247,709

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19. PRUDENTIAL SUPPORT
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Tillsonburg Hydro Inc. has posted a letter of credit with the Independent Electricity System Operator (IESO) in the amount of \$956,406 (2023 - \$956,406). The IESO is responsible for ensuring that prudential support is posted by all market participants to satisfy their prudential support and obligation and, therefore, mitigate the impact of an event of default by a market participant on the rest of the market.

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

### 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Entity generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include services ancillary to the electricity distribution, pole rentals, other regulatory services charges and capital contributions.

	2024	2023
Revenue from contracts with customers		
Rent from electric property	43,032	41,061
Miscellaneous service revenue	190,365	153,239
Retail service revenue	12,558	13,784
	245,955	208,084
Deferred capital contribution	158,284	143,283
Other revenue	64,387	48,192
	468,626	399,559

### 21. COMMITMENTS

#### *(i) General*

The Company has entered into a lease agreement for the period of January 1, 2024 to May 31, 2027 for the location of 43 John Pound Road in Tillsonburg. Monthly costs over the remaining lease agreement are \$11,153. The Company has an option to extend the lease agreement for a further three years at an increase of 3% per year.

#### *(ii) General Liability Insurance*

The Corporation has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (the MEARIE Group). The MEARIE is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the MEARIE Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the periods which the Corporation was a member.

### 22. EMERGING ACCOUNTING CHANGES

Certain new standards, amendments and interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2025 or later periods that the Company has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are:

- (i) Amendments to classification and measurement of financial instruments (IFRS 7 and 9)
- (ii) Gain or loss on derecognition (IFRS 7)
- (iii) Guidance on implementing disclosure of difference between fair value and transaction price and credit risk disclosures (IFRS 7)
- (iv) Derecognition of lease liabilities and transaction price (IFRS 9)
- (v) Presentation and disclosure in financial statements (IFRS 18)

# TILLSONBURG HYDRO INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

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### 23. SUBSEQUENT EVENTS

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Subsequent to year end the Company signed a new loan agreement. In April the \$8,500,000 loan that was outstanding at year end was repaid and three additional loan facilities were approved. Loans in the amount of \$7,000,000 and \$4,500,000 were advanced and a \$2,000,000 line of credit was established subsequent to year end.

**ERTH POWER CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2025**

**ERTH POWER CORPORATION  
INDEX TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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**KPMG LLP**  
140 Fullarton Street, Suite 1400  
London, ON N6A 5P2  
Canada  
Telephone 519 672 4880  
Fax 519 672 5684

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ERTH Power Corporation.

### ***Opinion***

We have audited the financial statements of ERTH Power Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis.



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Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 29, 2026

**ERTH POWER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**  
**WITH COMPARATIVE INFORMATION FOR 2024**

		<b>2025</b>	<b>2024</b>
<b>Assets</b>			
<b>Current assets</b>			
Accounts receivable	5	\$ 9,409,010	\$ 8,727,572
Unbilled revenue		9,462,343	8,022,626
Due from related parties	27	283,101	224,729
Materials and supplies	6	260,683	262,136
Prepaid expenses		<u>1,314,394</u>	<u>1,052,376</u>
Total current assets		<u>20,729,531</u>	<u>18,289,439</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	108,887,750	85,603,163
Intangible assets	9	4,937,406	4,950,121
Investment	7	<u>33,072</u>	<u>32,945</u>
Total non-current assets		<u>113,858,228</u>	<u>90,586,229</u>
<b>Total assets</b>		<u>134,587,759</u>	<u>108,875,668</u>
Regulatory balances	11	<u>7,858,038</u>	<u>10,348,498</u>
<b>Total assets and regulatory balances</b>		<u>\$142,445,797</u>	<u>\$119,224,166</u>


**ERTH POWER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**  
**WITH COMPARATIVE INFORMATION FOR 2024**

		2025	2024
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness	12	\$ 9,333,496	\$ 9,852,811
Accounts payable and accrued liabilities	13	16,115,750	12,066,007
Payments in lieu of income taxes payable		95,589	79,958
Due to related parties	27	2,054,020	2,068,335
Long-term debt due within one year	14	465,799	353,475
Customer deposits	15	1,373,383	1,400,835
Deferred revenue	16	<u>302,505</u>	<u>287,878</u>
<b>Total current liabilities</b>		<u>29,740,542</u>	<u>26,109,299</u>
<b>Non-current liabilities</b>			
Long-term debt	14	47,408,179	32,365,094
Interest rate swaps	14	580,057	432,475
Post-employment benefits	17	1,119,100	1,112,800
Customer deposits	15	1,067,619	117,731
Deferred revenue	16	16,390,865	15,823,037
Deferred tax liabilities	10	<u>3,392,000</u>	<u>3,168,000</u>
Total non-current liabilities		<u>69,957,820</u>	<u>53,019,137</u>
<b>Total liabilities</b>		<u>99,698,362</u>	<u>79,128,436</u>
<b>Equity</b>			
Share capital	18	14,265,677	14,265,677
Retained earnings		22,524,421	20,429,341
Contributed capital		4,649,139	4,649,139
Accumulated other comprehensive loss		<u>(396,299)</u>	<u>(351,126)</u>
<b>Total equity</b>		<u>41,042,938</u>	<u>38,993,031</u>
<b>Total liabilities and equity</b>		<u>140,741,300</u>	<u>118,121,467</u>
Regulatory balances	11	<u>1,704,497</u>	<u>1,102,699</u>
<b>Total liabilities, equity and regulatory balances</b>		<u>\$142,445,797</u>	<u>\$119,224,166</u>

Contingencies (note 24)  
Guarantee (note 25)  
Commitments (note 8 and 26)

**APPROVED ON BEHALF OF THE BOARD:**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**ERTH POWER CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**WITH COMPARATIVE INFORMATION FOR 2024**

		<b>2025</b>	<b>2024</b>
<b>Revenues</b>			
Sale of energy	19	\$77,641,595	\$71,777,139
Distribution revenue	19	16,363,324	15,515,007
Other	20	<u>922,538</u>	<u>802,488</u>
		94,927,457	88,094,634
<b>Operating expenses</b>			
Cost of power purchased		74,023,906	70,284,643
Employee salaries and benefits	21	3,643,616	3,263,947
Operating expenses	22	5,904,046	5,149,471
Depreciation and amortization	8,9	<u>3,349,530</u>	<u>3,164,191</u>
		86,921,098	81,862,252
<b>Income from operations</b>		<u>8,006,359</u>	<u>6,232,382</u>
Finance costs	23	<u>2,222,021</u>	<u>2,810,104</u>
<b>Income before income taxes</b>		5,784,338	3,422,278
Income tax expense	10	<u>609,000</u>	<u>639,000</u>
<b>Net income for the year</b>		<u>5,175,338</u>	<u>2,783,278</u>
Net movement in regulatory balances, net of tax	11	<u>(3,080,258)</u>	<u>(966,471)</u>
<b>Net income for the year and net movement in regulatory balances</b>		<u><b>2,095,080</b></u>	<u><b>1,816,807</b></u>
<b>Other comprehensive income</b>			
Items that will be reclassified to profit or loss:			
Change in fair value of investments		127	6,419
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefits	17	(45,300)	16,900
Tax on remeasurements	10	12,000	(6,000)
Net movement in regulatory balances, net of tax	11	<u>(12,000)</u>	<u>6,000</u>
<b>Other comprehensive income</b>		<u>(45,173)</u>	<u>23,319</u>
<b>Total comprehensive income for the year</b>		<u><b>\$ 2,049,907</b></u>	<u><b>\$ 1,840,126</b></u>

**ERTH POWER CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**WITH COMPARATIVE INFORMATION FOR 2024**

	Share capital	Retained earnings	Contributed capital	Accumulated other comprehensive loss	Total
<b>Balance at January 1, 2024</b>	\$ 14,265,677	\$ 18,612,534	\$ 4,649,139	\$ (374,445)	\$ 37,152,905
Net income and net movement in regulatory balances	-	1,816,807	-	-	1,816,807
Other comprehensive income	-	-	-	23,319	23,319
<b>Balance at December 31, 2024</b>	<u>\$ 14,265,677</u>	<u>\$ 20,429,341</u>	<u>\$ 4,649,139</u>	<u>\$ (351,126)</u>	<u>\$ 38,993,031</u>
<b>Balance at January 1, 2025</b>	\$ 14,265,677	\$ 20,429,341	\$ 4,649,139	\$ (351,126)	\$ 38,993,031
Net income and net movement in regulatory balances	-	2,095,080	-	-	2,095,080
Other comprehensive income (loss)	-	-	-	(45,173)	(45,173)
<b>Balance at December 31, 2025</b>	<u>\$ 14,265,677</u>	<u>\$ 22,524,421</u>	<u>\$ 4,649,139</u>	<u>\$ (396,299)</u>	<u>\$ 41,042,938</u>

**ERTH POWER CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**WITH COMPARATIVE INFORMATION FOR 2024**

	<b>2025</b>	<b>2024</b>
<b>Operating activities</b>		
Net income and net movement in regulatory balances	\$ 2,095,080	\$ 1,816,807
Adjustments for:		
Depreciation and amortization	3,349,530	3,164,191
Amortization of deferred revenue	(295,192)	(256,084)
Post-employment benefits	(39,000)	(10,200)
Gain on disposal of property, plant and equipment	(51,761)	(361,483)
Net finance costs	2,222,021	2,810,104
Income tax expense	<u>609,000</u>	<u>639,000</u>
	7,889,678	7,802,335
<b>Changes in non-cash operating working capital:</b>		
Accounts receivable	(681,438)	(606,044)
Due to related parties	(72,687)	48,927
Unbilled revenue	(1,439,717)	(1,875,887)
Materials and supplies	1,453	2,073
Prepaid expenses	(262,018)	(458,894)
Accounts payable and accrued liabilities	4,049,743	1,000,685
Customer deposits	<u>922,436</u>	<u>(1,398,842)</u>
	<u>2,517,772</u>	<u>(3,287,982)</u>
Regulatory balances	3,092,258	960,471
Income tax paid	<u>(369,369)</u>	<u>(343,654)</u>
<b>Net cash from operating activities</b>	<u>13,130,339</u>	<u>5,131,170</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(26,570,857)	(16,941,872)
Proceeds on disposal of property, plant and equipment	51,761	2,111,816
Purchase of intangible assets	<u>(50,545)</u>	<u>(77,082)</u>
<b>Net cash used by investing activities</b>	<u>(26,569,641)</u>	<u>(14,907,138)</u>
<b>Financing activities</b>		
Contributions received from customers	877,647	3,815,278
Finance costs	(2,074,439)	(2,377,629)
Proceeds from issuance of long-term debt	14,054,874	18,942,350
Proceeds from issuance of finance leases	1,574,054	-
Repayment of long-term debt	(273,867)	(15,622,700)
Repayment of finance leases	<u>(199,652)</u>	<u>(2,339,041)</u>
<b>Net cash from financing activities</b>	<u>13,958,617</u>	<u>2,418,258</u>
Change in cash (bank indebtedness)	519,315	(7,357,710)
Bank indebtedness, beginning of year	<u>(9,852,811)</u>	<u>(2,495,101)</u>
<b>Bank indebtedness, end of year</b>	<u>\$ (9,333,496)</u>	<u>\$ (9,852,811)</u>

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**1. Reporting entity**

ERTH Power Corporation is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Ingersoll. The address of the Corporation's registered office is 143 Bell Street, PO Box 157 Ingersoll ON (Canada) N5C 3K5.

The Corporation delivers electricity and related energy services to residential and commercial customers in Aylmer, Beachville, Belmont, Burgessville, Embro, Ingersoll, Norwich, Otterville, Port Stanley, Tavistock, Thamesford, Clinton, Mitchell, Dublin and Goderich. The Corporation is wholly owned by ERTH Corporation which is wholly owned by the following nine municipalities, each of whom has one voting common share: Aylmer, Central Elgin, East-Zorra Tavistock, Ingersoll, Norwich, South-West Oxford, Zorra, West Perth and Goderich.

The financial statements are for the Corporation as at and for the year ended December 31, 2025.

**2. Basis of presentation**

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 23, 2026.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**2. Basis of presentation (continued)**

(d) Use of estimates (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties are included in the financial statements in the following notes:

- (i) Notes 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and estimation of fair value of goodwill and intangible assets
- (ii) Note 3(k) – measurement of leases: discount rate
- (iii) Note 3(m) – income taxes
- (iv) Note 10 – income tax expense
- (v) Note 17 – measurement of defined benefit obligations: key actuarial assumptions
- (vi) Note 24 – recognition and measurement of provisions and contingencies
- (vii) Note 28 – estimation for allowance for doubtful accounts

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the non-consolidated financial statements are included in the following notes:

- (i) Note 3(k) – leases: whether an arrangement contains a lease
- (ii) Note 3(k) – leases: lease term, underlying leased asset value
- (iii) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (viii) Note 3(m) – income taxes
- (ix) Note 10 – income tax expense
- (iv) Note 11 - recognition and measurement of regulatory balances

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**2. Basis of presentation (continued)**

(e) Rate regulation (continued)

Rate setting

*Distribution revenue*

For its distribution revenue, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholders' equity required to support the Corporation's business. The Corporation forecasts electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review. The Corporation is currently within an OEB approved deferral window for COS filing having recently merged with West Coast Huron Energy. The Corporation's next COS application in 2028, filed 8 years after the merger will be an application to harmonize rate structures between the two areas.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation 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. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application on September 15, 2017 for rates effective January 1, 2019 to April 30, 2019. On November 5, 2019 the Corporation filed an IRM application with the OEB for its Main rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30% resulting in a net increase of 1.70% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 1.90% to the previous year's rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.00% to the previous year's rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year's rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year's rates. On October 11, 2024 the Corporation filed an IRM application with the OEB for rates effective May 1, 2025 until April 30, 2026. Within this application the approved GDP IPI-FDD is 3.60%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.30% to the previous year's rates.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**2. Basis of presentation (continued)**

(e) Rate regulation (continued)

The Corporation last filed a COS application for its Goderich Rate Zone on November 16, 2012 for rates effective May 1, 2013 to April 30, 2014. On November 5<sup>th</sup> 2019 the Corporation filed an IRM application with the OEB for its Goderich rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporations productivity factor is 0.00% and the stretch factor us 0.60% resulting in a net increase of 1.40% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 1.60% to the previous year's rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 2.70% to the previous year's rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year's rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year's rates. On October 11, 2024 the Corporation filed an IRM application with the OEB for rates effective May 1, 2025 until April 30, 2026. Within this application the approved GDP IPI-FDD is 3.60%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.30% to the previous year's rates.

*Electricity rates*

The OEB sets electricity prices for low-volume consumers once each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB has a decision and order in place banning utilities in Ontario from disconnecting homes for nonpayment during the winter. This ban is in place from November 15 to April 30 each year.

**3. Material accounting policies**

The material accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

*Non-derivative*

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(d).

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

*Non-derivative (Continued)*

Trade receivables are initially measured at the invoiced amount. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

*Financial assets - Recognition and de-recognition*

All financial assets are recognized and de-recognized on the trade date. The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets - Subsequent measurement*

Financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss. Financial assets at FVTPL are measured at fair value. Net changes in the fair value are recognized in profit or loss. Financial assets at fair value through other comprehensive income ("FVOCI") are measured at fair value. Net changes in the fair value are recognized in other comprehensive income.

*Financial assets - Impairment*

The Corporation applies the expected credit loss model to financial assets at amortized cost, contract assets and debt instruments measured at FVOCI. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses ("ECLs") in accordance with the 'simplified approach' available under the standard. Under this approach, loss allowances on trade accounts receivable are always measured at lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and includes forward-looking information.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

*Financial liabilities - Recognition and de-recognition*

The Corporation de-recognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire.

*Financial liabilities - Subsequent measurement*

Financial liabilities at amortized cost are measured using the effective interest rate method.

*Classification under IFRS 9*

The Corporation uses the following methods and assumptions to estimate the fair value of each class of nonderivative financial instruments for which carrying amounts are included in the consolidated balance sheets:

- Cash and cash equivalents are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Bank indebtedness is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of the instruments.
- The uncommitted operating revolving loan facility is classified as "Amortized cost" and initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts payable and accrued liabilities, payments in lieu of income taxes payable, dividends payable, due to related parties, lease liabilities and deferred revenue are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Long-term debt is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value because of the nature of the instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Customer and other deposits are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value considering interest accrued on the outstanding balance.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

Derivatives

Derivatives are initially measured at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract upon initial recognition and accounted for separately at FVTPL when the host contract is not a financial asset and certain conditions are met. The Corporation does not use derivative instruments for speculative purposes.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value using level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

*Fair value measurements*

The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities. The Corporation does not use Level 1 inputs for its fair value measurements.
- Level 2: inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. The Corporation's Level 2 inputs include quoted market prices for interest rates and credit risk premiums. The Corporation obtains information from sources including the Bank of Canada and market exchanges. The Corporation uses Level 2 inputs for all of its financial instrument fair value measurements.
- Level 3: inputs that are not based on observable market data. The Corporation does not use Level 3 inputs for any of its fair value measurements.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(b) Revenue recognition

*Sale and distribution of electricity*

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

*Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

*Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered.

(c) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	55 - 60
Automotive equipment	8 - 10
Computer equipment	5 - 15
Services, office and other equipment	5 - 15
Transmission and distribution system	12 - 60

**ERTH POWER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization.

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. Goodwill is measured at cost less accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are as follows:

	Years
Computer software	3 - 15
Goodwill	indefinite life
Land rights	indefinite life

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorata basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Deposits that are refundable upon demand are classified as a current liability.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. Material accounting policies (continued)**

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. Material accounting policies (continued)**

(j) Post-employment benefits (continued)

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in statement of comprehensive income.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**3. Material accounting policies (continued)**

(k) Leased assets (continued)

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations, interest on customer deposits and unwinding of the discount on provisions. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. Standards issued but not yet adopted**

*Future accounting changes*

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

(a) *Presentation and Disclosure in Financial Statements (IFRS 18)*

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18), which replaces IAS 1 and introduces limited amendments to IAS 7 Statement of Cash Flows. IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2027. The extent of the impact of adoption of the standard has not yet been determined.

(b) *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7))*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2026. The extent of the impact of adoption of the standard has not yet been determined.

**5. Accounts receivable**

	<b>2025</b>	<b>2024</b>
Trade receivables	\$ 9,036,567	\$ 7,736,222
Billable work	<u>372,443</u>	<u>991,350</u>
	<u>\$ 9,409,010</u>	<u>\$ 8,727,572</u>

**6. Materials and supplies**

Amounts written down due to obsolescence in 2025 was nil (2024 - nil).

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**7. Investment**

The Corporation holds 386 Common shares of Sunlife Financial with a fair value at December 31, 2025 of \$33,072 (2024 - \$32,945).

**8. Property, plant and equipment**

	Land and buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
<i>Cost or deemed cost</i>					
Balance at Jan. 1, 2025	\$ 1,071,240	\$ 86,371,899	\$ 5,158,669	\$ 10,168,810	\$ 102,770,618
Additions	1,579,716	35,026	868,858	24,087,257	26,570,857
Transfers	-	5,959,183	-	(5,959,183)	-
Disposals/retirements	-	(216,450)	-	-	(216,450)
Balance at Dec. 31, 2025	<u>\$ 2,650,956</u>	<u>\$ 92,149,658</u>	<u>\$ 6,027,527</u>	<u>\$ 28,296,884</u>	<u>\$ 129,125,025</u>
Balance at Jan. 1, 2024	\$ 3,976,820	\$ 80,991,968	\$ 4,974,599	\$ 2,370,513	\$ 92,313,900
Additions	10,697	260,010	492,761	16,178,404	16,941,872
Transfers	-	8,120,098	260,009	(8,380,107)	-
Disposals/retirements	(2,916,277)	(3,000,177)	(568,700)	-	(6,485,154)
Balance at Dec. 31, 2024	<u>\$ 1,071,240</u>	<u>\$ 86,371,899</u>	<u>\$ 5,158,669</u>	<u>\$ 10,168,810</u>	<u>\$ 102,770,618</u>
<i>Accumulated depreciation</i>					
Balance at Jan. 1, 2025	\$ 510,539	\$ 13,749,770	\$ 2,907,146	\$ -	\$ 17,167,455
Depreciation	245,953	2,282,069	758,248	-	3,286,270
Disposals/retirements	-	(216,450)	-	-	(216,450)
Balance at Dec. 31, 2025	<u>\$ 756,492</u>	<u>\$ 15,815,389</u>	<u>\$ 3,665,394</u>	<u>\$ -</u>	<u>\$ 20,237,275</u>
Balance at Jan. 1, 2024	\$ 1,394,832	\$ 14,568,632	\$ 2,831,229	\$ -	\$ 18,794,693
Depreciation	281,651	2,181,315	644,617	-	3,107,583
Disposals/retirements	(1,165,944)	(3,000,177)	(568,700)	-	(4,734,821)
Balance at Dec. 31, 2024	<u>\$ 510,539</u>	<u>\$ 13,749,770</u>	<u>\$ 2,907,146</u>	<u>\$ -</u>	<u>\$ 17,167,455</u>
<i>Carrying amounts</i>					
At December 31, 2025	\$ 1,894,464	\$ 76,334,269	\$ 2,362,133	\$ 28,296,884	\$ 108,887,750
At December 31, 2024	<u>560,701</u>	<u>72,622,129</u>	<u>2,251,523</u>	<u>10,168,810</u>	<u>85,603,163</u>

At December 31, 2025, land and buildings include right-of-use assets related to lease of office space with the cost of \$2,362,944 (2024 - \$783,228), accumulated depreciation of \$694,255 (2024 - \$452,837) and carrying amount of \$1,668,689 (2024 - \$330,391). For the year ended December 31, 2025, the Corporation recorded depreciation expense of \$241,419 (2024 - \$277,117) related to the right-of-use assets.

The corresponding finance lease obligation for the right of use assets has been disclosed in note 14.

At December 31, 2025 all current and future personal property including property, plant and equipment with a carrying amount of \$107,219,061 (2024 - \$85,272,772) are subject to a general security agreement.

During the year, borrowing costs of \$616,743 (2024 - \$273,386) were capitalized as part of were capitalized as part of construction in process.

Property, plant and equipment and intangible asset purchase commitments outstanding as at December 31, 2025 are \$7,711,090 (2024 - \$18,927,792).

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**9. Intangible assets**

	Computer software	Land rights	Goodwill	Total
<i>Cost or deemed cost</i>				
Balance at Jan. 1, 2025	\$ 543,018	\$ 50,641	\$ 4,793,925	\$ 5,387,584
Additions	50,545	-	-	50,545
Balance at Dec. 31, 2025	<u>\$ 593,563</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,438,129</u>
Balance at Jan. 1, 2024	\$ 505,923	\$ 50,641	\$ 4,793,925	\$ 5,350,489
Additions	77,082	-	-	77,082
Disposals/retirements	(39,987)	-	-	(39,987)
Balance at Dec. 31, 2024	<u>\$ 543,018</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,387,584</u>
<i>Accumulated amortization</i>				
Balance at Jan. 1, 2025	\$ 437,463	\$ -	\$ -	\$ 437,463
Amortization	63,260	-	-	63,260
Balance at Dec. 31, 2025	<u>\$ 500,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,723</u>
Balance at Jan. 1, 2024	\$ 420,841	\$ -	\$ -	\$ 420,841
Amortization	56,609	-	-	56,609
Disposals/retirements	(39,987)	-	-	(39,987)
Balance at Dec. 31, 2024	<u>\$ 437,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,463</u>
<i>Carrying amounts</i>				
At December 31, 2025	\$ 92,840	\$ 50,641	\$ 4,793,925	\$ 4,937,406
At December 31, 2024	<u>105,555</u>	<u>50,641</u>	<u>4,793,925</u>	<u>4,950,121</u>

**10. Income tax expense**

	<b>2025</b>	<b>2024</b>
Current tax expense	\$ 373,000	\$ 464,000
Deferred tax expense		
Change in recognized deductible temporary differences	<u>236,000</u>	<u>175,000</u>
Total current and deferred income tax in profit or loss, before movement of regulatory balances	609,000	639,000
Other comprehensive income:		
Other	-	2,000
Post-employment benefits	<u>(12,000)</u>	<u>4,000</u>
	<u>(12,000)</u>	<u>6,000</u>
Total current and deferred tax, before movement of regulatory balances	597,000	645,000
Net movement in regulatory balances	<u>(378,000)</u>	<u>(181,000)</u>
Income tax expenses recognized in statement of comprehensive income	<u>\$ 219,000</u>	<u>\$ 464,000</u>

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**10. Income tax expense (continued)**

Reconciliation of effective tax rate

	<b>2025</b>	<b>2024</b>
Income before taxes	\$ 2,268,907	\$ 2,304,126
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	601,000	611,000
Increase (decrease) in income taxes resulting from:		
Permanent difference	(3,000)	22,000
Recognized deductible temporary differences due to/from customers	(378,000)	(181,000)
Other	<u>(1,000)</u>	<u>12,000</u>
Income tax expense	<u>\$ 219,000</u>	<u>\$ 464,000</u>

Significant components of the Corporation's deferred tax balances

	<b>2025</b>	<b>2024</b>
Deferred tax (liabilities) assets:		
Property, plant, equipment and intangible assets	\$ (3,845,000)	\$ (3,539,000)
Post-employment benefits	297,000	295,000
Other	<u>156,000</u>	<u>76,000</u>
	<u>\$ (3,392,000)</u>	<u>\$ (3,168,000)</u>

**11. Regulatory balances**

Reconciliation of the carrying amount for each class of regulatory balances.

	January 1, 2025	Additions	Recovery/ (reversal)	December 31, 2025
<b>Regulatory deferral account debit balances</b>				
Regulatory assets account	\$ 4,136,634	\$ 118,275	\$ (1,417,704)	\$ 2,837,205
Regulatory settlement account	2,664,109	(2,300,918)	670,715	1,033,906
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	311,940	61,172	-	373,112
Deferred income tax	<u>3,168,000</u>	<u>378,000</u>	<u>-</u>	<u>3,546,000</u>
	<u>\$ 10,348,498</u>	<u>\$ (1,743,471)</u>	<u>\$ (746,989)</u>	<u>\$ 7,858,038</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
<b>Regulatory deferral account debit balances</b>				
Regulatory settlement account	\$ 5,865,705	\$ 1,012,178	\$ (2,741,249)	\$ 4,136,634
Regulatory asset account	2,615,487	(2,599,073)	2,647,695	2,664,109
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	261,294	50,646	-	311,940
Deferred income tax	<u>2,987,000</u>	<u>181,000</u>	<u>-</u>	<u>3,168,000</u>
	<u>\$ 11,797,301</u>	<u>\$ (1,355,249)</u>	<u>\$ (93,554)</u>	<u>\$ 10,348,498</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

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**11. Regulatory balances (continued)**

	January 1, 2025	Additions	Recovery/ (reversal)	December 31, 2025
<b>Regulatory deferral account credit balances</b>				
Regulatory liability account	\$ 630,151	\$ 1,261,281	\$ (747,516)	\$ 1,143,916
Other regulatory accounts	<u>472,548</u>	<u>88,033</u>	<u>-</u>	<u>560,581</u>
	<u>\$ 1,102,699</u>	<u>\$ 1,349,314</u>	<u>\$ (747,516)</u>	<u>\$ 1,704,497</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
<b>Regulatory deferral account credit balances</b>				
Regulatory liability account	\$ 1,204,125	\$ (480,420)	\$ (93,554)	\$ 630,151
Other regulatory accounts	<u>386,907</u>	<u>85,641</u>	<u>-</u>	<u>472,548</u>
	<u>\$ 1,591,032</u>	<u>\$ (394,779)</u>	<u>\$ (93,554)</u>	<u>\$ 1,102,699</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from or paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers Acceptances three-month rate plus a spread of 25 basis points. In 2025, the rate was 3.64% at the start of the year then decreased to 3.16% in July and decreased again to 2.91% in October.

**12. Bank indebtedness**

Through a mirror banking agreement with its parent Corporation, the Corporation has available to its use a \$15,000,000 revolving line of credit bearing interest at Canadian commercial bank prime less 0.40%. The Corporation provides a guarantee on this facility, as outlined in note 25. The amount drawn on the facility totals \$9,180,236 at December 31, 2025 (2024 - \$9,782,751).

**13. Accounts payable and accrued liabilities**

	<b>2025</b>	<b>2024</b>
Trade payables	\$ 15,648,318	\$ 11,672,432
Payroll payables	<u>467,432</u>	<u>393,575</u>
	<u>\$ 16,115,750</u>	<u>\$ 12,066,007</u>

All payables and government remittances owing are current as at year end.

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**14. Long-term debt**

	<b>2025</b>	<b>2024</b>
Term loans (a)	\$ 32,354,192	\$ 18,444,869
Financing loans (b)	678,231	806,547
Shareholder notes (c)	8,038,524	8,038,524
Shareholder demand notes (d)	5,057,845	5,057,845
Finance lease obligations (e)	<u>1,745,186</u>	<u>370,784</u>
	47,873,978	32,718,569
Less: current portion	<u>465,799</u>	<u>353,475</u>
	<u>\$ 47,408,179</u>	<u>\$ 32,365,094</u>

(a) Term loans

The Corporation has two term loan facilities which are part of a non-revolving credit facility, due November 2029 with interest payable monthly at daily CORRA plus 1.08%.

The first term loan of \$10,000,000 (2024 - \$10,000,000) is fully drawn on. On this term loan the Corporation has an interest rate swap agreement on a notional principal of \$10,000,000 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receive variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$199,137 (2024 - \$234,469) as at December 31, 2025. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate of 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 23. On maturity, the debt will return to the floating rate defined in the term loan.

The second term loan of \$35,000,000 is drawn in the amount of \$22,354,192 (2024 - \$8,444,869) non-revolving credit facility, due November 2029 with interest payable monthly at daily CORRA plus 1.08%. The Corporation has entered into two interest rate swap agreements covering the term loan.

The first swap has a notional principal of \$8,444,869 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receive variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$168,168 (2024 - \$198,006) as at December 31, 2025. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate of 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 23. On maturity, the debt will return to the floating rate defined in the term loan.

The second swap, entered into during the year, has a notional principal of \$10,000,000 maturing October 1, 2030. The swap is held with the Bank of Nova Scotia and is a receive variable, pay fixed swap from October 1, 2025 to October 1, 2030. The interest rate swap agreement is in a net unfavourable position of \$212,752 (2024 - nil) as at December 31, 2025. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate of 3.21% from October 1, 2025 to October 1, 2030, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 23. On maturity, the debt will return to the floating rate defined in the term loan.

The associated unrealized gains and losses on the above swaps are included in the statement of operations in note 23.

Security on the loan is described in note 8.

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**14. Long-term debt (continued)**

(b) Financing loans

The Corporation has seven vehicles under loan. The vehicle loans bear interest from 0.13% - 5.98%, with monthly principal payments of \$886 to \$8,722, maturing from February 2027 to November 2030. All loans are secured by the vehicles under their respective loans.

(c) Shareholder notes

The shareholder notes represent amounts owing to the municipal shareholders of ERTH Corporation for purchase of the respective Municipality's Hydro Electric Commission's net assets. The rate of interest is currently 7.25% and is set by the Board of Directors, from time to time. There are no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2025, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called. The principal amounts are convertible at the option of the Corporation into Class B shares. The loan is secured by a second position General Security Agreement covering accounts receivable, inventory and equipment, including motor vehicles.

The amounts owing to the municipalities are as follows:

	<b>2025</b>	<b>2024</b>
Aylmer	\$ 1,694,863	\$ 1,694,863
Central Elgin	806,436	806,436
East-Zorra-Tavistock	569,073	569,073
Ingersoll	3,402,080	3,402,080
Norwich	763,755	763,755
South-West Oxford	192,062	192,062
Zorra	<u>610,255</u>	<u>610,255</u>
	<u>\$ 8,038,524</u>	<u>\$ 8,038,524</u>

(d) Shareholder demand notes

The Corporation has a demand promissory note payable to the Town of Goderich for \$2,974,454 (2024 - \$2,974,454) which bears interest at 7.25%. Interest is payable in quarterly installments of \$53,912. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2025, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$1,183,391 (2024 - \$1,183,391) which bears interest at 7.25%. Interest is payable in quarterly installments of \$21,449. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2025, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$900,000 (2024 - \$900,000) which bears interest at 7.25%. Interest is payable in quarterly installments of \$16,313. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2025, the debt has been classified as long-term as the Corporation has thirteen months to repay the note when called.

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**14. Long-term debt (continued)**

(e) Finance lease obligations

The Corporation has one capital lease which bears interest at 3.65%, with monthly principal payments of \$8,314 maturing in December 2028.

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be made after the reporting date.

	2025	2024
2025	\$ -	\$ 99,763
2026	277,915	99,763
2027	281,440	99,763
2028	285,035	99,763
2029	187,044	-
Thereafter	<u>992,853</u>	<u>-</u>
Total undiscounted lease payable	2,024,287	399,052
Interest	<u>279,101</u>	<u>28,268</u>
Present value of minimum lease payments	<u>\$ 1,745,186</u>	<u>\$ 370,784</u>

The corresponding right of use asset for the finance lease obligations has been disclosed in note 8.

(f) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Notes and loans	Finance leases	Total
Balance at Jan. 1, 2025	\$ 32,347,785	\$ 370,784	\$ 32,718,569
Proceeds from loans	14,054,874	-	14,054,874
Repayment of loans	(273,867)	-	(273,867)
Proceeds from finance leases	-	1,574,054	1,574,054
Payments of finance leases	-	(199,652)	(199,652)
Interest paid	<u>(2,854,974)</u>	<u>(69,145)</u>	<u>(2,924,119)</u>
	43,273,818	1,676,041	44,949,859
Capitalised borrowing	616,743	-	616,743
Interest expense	<u>2,238,231</u>	<u>69,145</u>	<u>2,307,376</u>
Balance at Dec. 31, 2025	<u>\$ 46,128,792</u>	<u>\$ 1,745,186</u>	<u>\$ 47,873,978</u>
Balance at Jan. 1, 2024	\$ 29,028,134	\$ 2,709,825	\$ 31,737,959
Proceeds from loans	18,942,350	-	18,942,350
Repayment of loans	(15,622,700)	-	(15,622,700)
Payments of finance leases	-	(2,339,041)	(2,339,041)
Interest paid	<u>(3,019,126)</u>	<u>(96,370)</u>	<u>(3,115,496)</u>
	29,328,658	274,414	29,603,072
Capitalised borrowing	273,386	-	273,386
Interest expense	<u>2,745,741</u>	<u>96,370</u>	<u>2,842,111</u>
Balance at Dec. 31, 2024	<u>\$ 32,347,785</u>	<u>\$ 370,784</u>	<u>\$ 32,718,569</u>

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**15. Customer deposits**

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

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 deferred revenue.

Customer deposits comprised of:

	<b>2025</b>	<b>2024</b>
Electricity deposits	\$ 607,133	\$ 617,522
Construction deposits	<u>1,833,869</u>	<u>901,044</u>
	2,441,002	1,518,566
Less: Current portion	<u>1,373,383</u>	<u>1,400,835</u>
	<u>\$ 1,067,619</u>	<u>\$ 117,731</u>

**16. Deferred revenue**

Deferred revenue relates to the capital contributions received from customers and others. The amount of deferred revenue received from customers is \$16,693,370 (2024 - \$16,110,915). Deferred revenue is recognized as revenue on a straight-line basis over the life of asset for which the contribution was received. Amortization commences when the asset is available for use. During 2025, deferred revenue of \$295,192 (2024 - \$256,084) was recognized in income.

**17. Post-employment benefits**

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2025, the Corporation made employer contributions of \$464,672 to OMERS (2024 - \$433,051). The Corporation expects to contribute a similar amount to the OMERS plan in 2026.

As at December 31, 2025, OMERS had approximately 665,000 members, of whom 45 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2025, which reported that the plan was 99% funded, with an unfunded liability of \$1.3 billion. This unfunded liability is likely to result in future payments by participating employers and members.

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**17. Post-employment benefits (continued)**

(b) Post-employment benefits other than pension

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expenses and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation

	<b>2025</b>	<b>2024</b>
Defined benefit obligation, beginning of year	\$ 1,112,800	\$ 1,139,900
Included in profit or loss		
Current service cost	21,800	20,600
Interest cost	<u>48,900</u>	<u>50,600</u>
	70,700	71,200
Included in OCI		
Actuarial gains (losses) arising from:		
Changes in experience	83,600	(22,300)
Changes in financial assumptions	<u>(38,300)</u>	<u>5,400</u>
	45,300	(16,900)
Benefits paid	<u>(109,700)</u>	<u>(81,400)</u>
Defined benefit obligation, end of year	<u>\$ 1,119,100</u>	<u>\$ 1,112,800</u>

(b) Post-employment benefits other than pension (continued)

Actuarial assumptions

	<b>2025</b>	<b>2024</b>
Discount rate	4.80%	4.60%
Medical costs	5.14%	4.93%
Dental costs	5.58%	5.36%

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$117,000 similarly, a 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$117,000.

**18. Share capital**

Authorized

Unlimited number of common shares

	<b>2025</b>	<b>2024</b>
Issued capital		
10,000 Common shares	<u>\$ 14,265,677</u>	<u>\$ 14,265,677</u>

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

No dividends were declared or paid in 2025 and 2024.

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**19. Revenue from Contracts with Customers**

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type of customer.

*Sale of Energy*

	<b>2025</b>	<b>2024</b>
Residential	\$ 21,722,365	\$ 20,792,240
Commercial	21,345,958	14,429,220
Large users	11,158,178	10,007,268
Other	<u>23,415,094</u>	<u>26,548,411</u>
	<u>\$ 77,641,595</u>	<u>\$ 71,777,139</u>

*Distribution Revenue*

	<b>2025</b>	<b>2024</b>
Residential	\$ 10,196,207	\$ 9,692,593
Commercial	3,952,649	3,869,250
Large users	1,420,078	1,280,547
Other	<u>794,390</u>	<u>672,617</u>
	<u>\$ 16,363,324</u>	<u>\$ 15,515,007</u>

**20. Other revenue**

	<b>2025</b>	<b>2024</b>
Service	\$ 627,346	\$ 546,404
Amortization of deferred revenue	<u>295,192</u>	<u>256,084</u>
	<u>\$ 922,538</u>	<u>\$ 802,488</u>

**21. Employee salaries and benefits**

	<b>2025</b>	<b>2024</b>
Salaries, wages and benefits	\$ 2,880,338	\$ 2,544,866
CPP and EI remittances	227,906	214,830
Contributions to OMERS	464,672	433,051
Post-employment benefit plans	<u>70,700</u>	<u>71,200</u>
	<u>\$ 3,643,616</u>	<u>\$ 3,263,947</u>

**22. Operating expenses**

	<b>2025</b>	<b>2024</b>
Contracting and consulting	\$ 581,307	\$ 794,679
Materials and supplies	1,417,499	1,265,297
Vehicle recovery	(409,778)	(341,054)
Billing and collecting	1,272,746	1,278,129
Office administration	2,631,964	2,086,352
Community relations	269,168	270,720
Gain on sale of assets	(51,761)	(361,483)
Other	<u>192,901</u>	<u>156,831</u>
	<u>\$ 5,904,046</u>	<u>\$ 5,149,471</u>

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**23. Finance costs**

	<b>2025</b>	<b>2024</b>
Finance costs		
Interest expense on long-term debt	\$ 555,327	\$ 736,988
Shareholder note interest	949,487	949,487
Interest expense on customer deposits	85,355	32,006
Interest expense on finance leases	69,145	96,370
Overdraft and other bank charges	<u>415,125</u>	<u>562,778</u>
Total finance costs	2,074,439	2,377,629
Unrealized loss on interest rate swap	<u>147,582</u>	<u>432,475</u>
Net finance costs and unrealized swap loss recognized in profit or loss	<u>\$ 2,222,021</u>	<u>\$ 2,810,104</u>

**24. Contingencies**

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2025, no assessments have been made.

**25. Guarantee**

The Corporation has guaranteed the operating and term loans of its parent Corporation ERTH Corporation up to 25% of the Corporation's equity or \$10,260,735. The loans are secured by a General Security Agreement covering all assets of the Corporation and a pledge of the shares of the Corporation. As the Corporation does not expect to be in a position where it would need to honour this guarantee, no liability has been recorded in these financial statements.

**26. Operating leases**

The Corporation is committed to lease agreements for low value or short-term leased equipment.

The future minimum non-cancelable annual lease payments for these low value or short-term leases are as follows:

	<b>2025</b>	<b>2024</b>
Less than one year	\$ 1,190	\$ 7,140
Between one and five years	<u>-</u>	<u>1,190</u>
	<u>\$ 1,190</u>	<u>\$ 8,330</u>

During the year ended December 31, 2025 an expense of \$7,140 (2024 - \$7,140) was recognized in operating expenses in the statement of comprehensive income in respect of operating leases.

**ERTH POWER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**27. Related party transactions**

The transactions between the Corporation and its related parties, other than electricity delivery charges as noted below, are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties, unless otherwise noted.

(a) Shareholders and ultimate controlling party

The sole shareholder of the Corporation is ERTH Corporation, which in turn is wholly-owned by nine municipalities consisting of Aylmer, Central Elgin, East-Zorra-Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth.

(b) Companies under common control

ERTH Corporation owns 100% of the issued and outstanding shares of ERTH Limited.

ERTH Business Technologies Inc. and ERTH (Holdings) Inc. are wholly-owned subsidiaries of ERTH Limited.

(c) Outstanding balances with related parties

The following represent due from/to in the normal course of operations:

	<b>2025</b>	<b>2024</b>
Due from:		
ERTH Corporation	\$ 183,260	\$ 131,907
ERTH (Holdings) Inc.	98,704	92,040
ERTH Business Technologies Inc.	<u>1,137</u>	<u>782</u>
	<u>\$ 283,101</u>	<u>\$ 224,729</u>
	<b>2025</b>	<b>2024</b>
Due to:		
ERTH Corporation	\$ 282,265	\$ 295,461
ERTH (Holdings) Inc.	344,288	414,972
ERTH Business Technologies Inc.	6,990	200
Town of Goderich	848,952	876,589
Town of Aylmer	<u>571,525</u>	<u>481,113</u>
	<u>\$ 2,054,020</u>	<u>\$ 2,068,335</u>

The Corporation has contracted ERTH (Holdings) Inc. and ERTH Business Technologies Inc., to provide maintenance and upgrades to the existing capital infrastructure of the Corporation and administrative services.

(d) Transactions with parent

The Corporation has a contract with ERTH Corporation, the parent company, for management services and rental of facilities used by the Corporation.

During the year, the Corporation paid management services, consulting services and lease fees for right-of-use assets to its parent in the amount of \$1,382,000, \$274,500 and \$428,000 respectively (2024 - \$1,150,000, \$213,500 and \$246,000).

**ERTH POWER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**27. Related party transactions (continued)**

(e) Transactions with companies under common control

During the year, the Corporation had the following transactions with related parties as follows:

- purchased administrative services of \$10,503 (2024 - nil) from ERTH Business Technologies Inc.
- purchased distribution system items of \$423,3615 (2024 - \$509,865), operations, maintenance and administration services of \$1,583,365 (2024 - \$1,368,397), sold capital items of \$40,000 (2024 - \$40,000), operations, maintenance and admission services of \$169,767 (2024 - \$201,981) to ERTH (Holdings) Inc.

In the ordinary course of business, the Corporation delivers electricity to ERTH (Holdings) Inc. Electricity is billed to ERTH (Holdings) Inc. at prices and under terms approved by the OEB.

(f) Transactions with ultimate parents

The Corporation delivers electricity to the nine municipalities throughout the year for the electricity needs of the municipalities and their related organizations. Electricity delivery charges are at prices under terms approved by the OEB. The Corporation also provided additional supports to its shareholders for various services and capital work in the amount of \$75,693 (2024 - \$268,611).

The Town of Goderich charges the Corporation for annual rent.

**28. Financial instruments and risk management**

*Fair value disclosure*

The carrying values of accounts receivable, unbilled revenue, due from/to related parties, bank indebtedness and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The fair values and interest rates used to calculate fair values are as follows:

	December 31, 2025			December 31, 2024		
	Carrying Value	Fair value	Interest rate	Carrying Value	Fair value	Interest rate
Term loan	\$ 32,354,192	\$ 33,706,435	3.65%	\$ 18,444,869	\$ 19,258,178	4.05%
Shareholder notes	13,096,369	13,954,711	3.66%	13,096,369	13,935,599	4.16%
	<u>\$ 45,450,561</u>	<u>\$ 47,661,146</u>		<u>\$ 31,541,238</u>	<u>\$ 33,193,777</u>	

The fair value of available for sale financial assets is based on the closing value of the equity in publicly traded markets.

Interest rate swaps are recorded at their fair value, which is provided at the measurement date by a third party Canadian commercial bank.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**28. Financial instruments and risk management (continued)**

*Financial risks*

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the municipalities of Aylmer, Central Elgin, East-Zorra Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth. As a result, the Corporation did not earn a significant amount of revenue from any one individual customer.

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 profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2025 is \$719,112 (2024 - \$592,257). An impairment loss of \$118,769 (2024 - \$112,946) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit losses allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including but not limited to, recent trends for customer collections and current forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk. At December 31, 2025, approximately \$180,188 (2024 - \$210,968) is considered 60 days past due. The Corporation has over 25,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits and service disconnections from customers in accordance with directions provided by the OEB. As at December 31, 2025, the Corporation holds security deposits in the amount of \$607,133 (2024 - \$617,522).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**28. Financial instruments and risk management (continued)**

(c) Liquidity risk

The Corporation's ultimate parent company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The ultimate parent's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$78.8 million credit facility, which is held by the parent and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2025, \$49.7 million has been drawn under the parent's credit facility.

The Corporation also has a bilateral facility for \$2.9 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$2,828,800 has been drawn and posted with the IESO (2024 - \$2,828,800).

The following are the remaining contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2025				
Term loans	\$ 32,354,192	\$ 1,602,416	\$ 36,677,618	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	678,231	275,182	458,685	-
Finance lease obligations	1,745,186	281,440	749,994	992,853
Bank indebtedness	9,333,496	9,333,496	-	-
Trade payables and accrued liabilities	16,115,750	16,115,750	-	-
Due to related parties	2,054,020	2,054,020	-	-
Customer deposits	2,441,002	1,373,383	1,067,619	-
	<u>\$ 77,818,246</u>	<u>\$ 32,017,914</u>	<u>\$ 52,541,399</u>	<u>\$ 992,853</u>

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2024				
Term loans	\$ 18,444,869	\$ 813,419	\$ 21,630,759	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	806,547	301,308	587,023	-
Finance lease obligations	370,784	99,763	299,289	-
Bank indebtedness	9,852,811	9,852,811	-	-
Trade payables and accrued liabilities	12,066,007	12,066,007	-	-
Due to related parties	2,068,335	2,068,335	-	-
Customer deposits	1,518,566	1,400,835	117,731	-
	<u>\$ 54,637,387</u>	<u>\$ 27,584,705</u>	<u>\$ 36,222,285</u>	<u>\$ -</u>

**ERTH POWER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**28. Financial instruments and risk management (continued)**

*Financial risks (continued)*

(d) Capital disclosures

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2025, shareholder's equity amounts to \$41,042,938 (2024 - \$38,993,031) and long-term debt amounts to \$47,408,179 (2024- \$32,365,094).

**ERTH POWER CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

**ERTH POWER CORPORATION  
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DECEMBER 31, 2024**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of ERTH Power Corporation.

### ***Opinion***

We have audited the financial statements of ERTH Power Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis.



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Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 24, 2025

**ERTH POWER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2024**

		2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Accounts receivable	6	\$ 8,727,572	\$ 8,121,527
Unbilled revenue		8,022,626	6,146,739
Due from related parties	28	224,729	120,604
Materials and supplies	7	262,136	264,209
Prepaid expenses		1,052,376	593,482
Payments in lieu of income taxes receivable		-	34,388
Total current assets		<u>18,289,439</u>	<u>15,280,949</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	85,603,163	73,519,207
Intangible assets	10	4,950,121	4,929,648
Investment	8	<u>32,945</u>	<u>26,526</u>
Total non-current assets		<u>90,586,229</u>	<u>78,475,381</u>
<b>Total assets</b>		<u>108,875,668</u>	<u>93,756,330</u>
Regulatory balances	12	<u>10,348,498</u>	<u>11,797,301</u>
<b>Total assets and regulatory balances</b>		<u>\$119,224,166</u>	<u>\$105,553,631</u>

**ERTH POWER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2024**

		2024	2023
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness	13	\$ 9,852,811	\$ 2,495,101
Accounts payable and accrued liabilities	14	12,066,007	11,065,322
Payments in lieu of income taxes payable		79,958	-
Due to related parties	28	2,068,335	1,915,283
Long-term debt due within one year	15	353,475	5,854,450
Customer deposits	16	1,400,835	2,405,896
Deferred revenue	17	<u>287,878</u>	<u>224,290</u>
<b>Total current liabilities</b>		<u>26,109,299</u>	<u>23,960,342</u>
<b>Non-current liabilities</b>			
Long-term debt	15	32,365,094	25,883,509
Interest rate swaps	15	432,475	-
Post-employment benefits	18	1,112,800	1,139,900
Customer deposits	16	117,731	511,512
Deferred revenue	17	15,823,037	12,327,431
Deferred tax liabilities	11	<u>3,168,000</u>	<u>2,987,000</u>
Total non-current liabilities		<u>53,019,137</u>	<u>42,849,352</u>
<b>Total liabilities</b>		<u>79,128,436</u>	<u>66,809,694</u>
<b>Equity</b>			
Share capital	19	14,265,677	14,265,677
Retained earnings		20,429,341	18,612,534
Contributed capital		4,649,139	4,649,139
Accumulated other comprehensive loss		<u>(351,126)</u>	<u>(374,445)</u>
<b>Total equity</b>		<u>38,993,031</u>	<u>37,152,905</u>
<b>Total liabilities and equity</b>		<u>118,121,467</u>	<u>103,962,599</u>
Regulatory balances	12	<u>1,102,699</u>	<u>1,591,032</u>
<b>Total liabilities, equity and regulatory balances</b>		<u>\$119,224,166</u>	<u>\$105,553,631</u>

Contingencies (note 25)  
Guarantee (note 26)  
Commitments (note 9 and 27)

**APPROVED ON BEHALF OF THE BOARD:**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**ERTH POWER CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

		<b>2024</b>	<b>2023</b>
<b>Revenues</b>			
Sale of energy	20	\$71,777,139	\$61,979,007
Distribution revenue	20	15,515,007	14,487,272
Other	21	<u>802,488</u>	<u>799,557</u>
		<u>88,094,634</u>	<u>77,265,836</u>
<b>Operating expenses</b>			
Cost of power purchased		70,284,643	62,072,851
Employee salaries and benefits	22	3,263,947	3,111,235
Operating expenses	23	5,149,471	5,107,729
Depreciation and amortization	9,10	<u>3,164,191</u>	<u>2,857,622</u>
		<u>81,862,252</u>	<u>73,149,437</u>
<b>Income from operations</b>		<u>6,232,382</u>	<u>4,116,399</u>
Finance costs	24	<u>2,810,104</u>	<u>2,221,620</u>
<b>Income before income taxes</b>		<u>3,422,278</u>	<u>1,894,779</u>
Income tax expense	11	<u>639,000</u>	<u>606,000</u>
<b>Net income for the year</b>		<u>2,783,278</u>	<u>1,288,779</u>
Net movement in regulatory balances, net of tax	12	<u>(966,471)</u>	<u>870,612</u>
<b>Net income for the year and net movement in regulatory balances</b>		<u><b>1,816,807</b></u>	<u><b>2,159,391</b></u>
<b>Other comprehensive income</b>			
Items that will be reclassified to profit or loss:			
Change in fair value of investments		6,419	(4,368)
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefits	18	16,900	(51,500)
Tax on remeasurements	11	(6,000)	15,000
Net movement in regulatory balances, net of tax	12	<u>6,000</u>	<u>(15,000)</u>
<b>Other comprehensive income</b>		<u>23,319</u>	<u>(55,868)</u>
<b>Total comprehensive income for the year</b>		<u><b>\$ 1,840,126</b></u>	<u><b>\$ 2,103,523</b></u>

**ERTH POWER CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Share capital	Retained earnings	Contributed capital	Accumulated other comprehensive loss	Total
<b>Balance at January 1, 2023</b>	\$ 14,265,677	\$ 16,453,143	\$ 4,649,139	\$ (318,577)	\$ 35,049,382
Net income and net movement in regulatory balances	-	2,159,391	-	-	2,159,391
Other comprehensive income (loss)	-	-	-	(55,868)	(55,868)
<b>Balance at December 31, 2023</b>	<u>\$ 14,265,677</u>	<u>\$ 18,612,534</u>	<u>\$ 4,649,139</u>	<u>\$ (374,445)</u>	<u>\$ 37,152,905</u>
<b>Balance at January 1, 2024</b>	\$ 14,265,677	\$ 18,612,534	\$ 4,649,139	\$ (374,445)	\$ 37,152,905
Net income and net movement in regulatory balances	-	1,816,807	-	-	1,816,807
Other comprehensive income	-	-	-	23,319	23,319
<b>Balance at December 31, 2024</b>	<u>\$ 14,265,677</u>	<u>\$ 20,429,341</u>	<u>\$ 4,649,139</u>	<u>\$ (351,126)</u>	<u>\$ 38,993,031</u>

**ERTH POWER CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Net income and net movement in regulatory balances	\$ 1,816,807	\$ 2,159,391
Adjustments for:		
Depreciation and amortization	3,164,191	2,857,622
Amortization of deferred revenue	(256,084)	(208,080)
Post-employment benefits	(10,200)	(27,300)
Gain on disposal of property, plant and equipment	(361,483)	(52,601)
Net finance costs	2,810,104	2,221,620
Income tax expense	<u>639,000</u>	<u>606,000</u>
	7,802,335	7,556,652
<b>Changes in non-cash operating working capital:</b>		
Accounts receivable	(606,044)	(1,275,503)
Due to related parties	48,927	439,922
Unbilled revenue	(1,875,887)	174,585
Materials and supplies	2,073	(17,513)
Prepaid expenses	(458,894)	(83,999)
Accounts payable and accrued liabilities	1,000,685	(1,216,114)
Customer deposits	<u>(1,398,842)</u>	<u>228,055</u>
	<u>(3,287,982)</u>	<u>(1,750,567)</u>
Regulatory balances	960,471	(855,612)
Income tax paid	<u>(343,654)</u>	<u>(335,585)</u>
<b>Net cash from operating activities</b>	<u>5,131,170</u>	<u>4,614,888</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(16,941,872)	(7,126,799)
Proceeds on disposal of property, plant and equipment	2,111,816	52,387
Purchase of intangible assets	<u>(77,082)</u>	<u>(4,869)</u>
<b>Net cash used by investing activities</b>	<u>(14,907,138)</u>	<u>(7,079,281)</u>
<b>Financing activities</b>		
Contributions received from customers	3,815,278	1,945,209
Finance costs	(2,377,629)	(2,221,620)
Proceeds from long-term debt	18,942,350	5,566,459
Repayment of long-term debt	(15,622,700)	(158,339)
Repayment of finance leases	<u>(2,339,041)</u>	<u>(299,224)</u>
<b>Net cash from financing activities</b>	<u>2,418,258</u>	<u>4,832,485</u>
Change in cash (bank indebtedness)	(7,357,710)	2,368,092
Bank indebtedness, beginning of year	<u>(2,495,101)</u>	<u>(4,863,193)</u>
<b>Bank indebtedness, end of year</b>	<u>\$ (9,852,811)</u>	<u>\$ (2,495,101)</u>

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**1. Reporting entity**

ERTH Power Corporation is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Ingersoll. The address of the Corporation's registered office is 143 Bell Street, PO Box 157 Ingersoll ON (Canada) N5C 3K5.

The Corporation delivers electricity and related energy services to residential and commercial customers in Aylmer, Beachville, Belmont, Burgessville, Embro, Ingersoll, Norwich, Otterville, Port Stanley, Tavistock, Thamesford, Clinton, Mitchell, Dublin and Goderich. The Corporation is wholly owned by ERTH Corporation which is wholly owned by the following nine municipalities, each of whom has one voting common share: Aylmer, Central Elgin, East-Zorra Tavistock, Ingersoll, Norwich, South-West Oxford, Zorra, West Perth and Goderich.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

**2. Basis of presentation**

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 20, 2025.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**2. Basis of presentation (continued)**

(d) Use of estimates (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties are included in the financial statements in the following notes:

- (i) Notes 3(d), 3(e), 9, 10 – estimation of useful lives of its property, plant and equipment and estimation of fair value of goodwill and intangible assets
- (ii) Note 3(k) – measurement of leases: discount rate
- (iii) Note 18 – measurement of defined benefit obligations: key actuarial assumptions
- (iv) Note 25 – recognition and measurement of provisions and contingencies
- (v) Note 29 – estimation for allowance for doubtful accounts

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the non-consolidated financial statements are included in the following notes:

- (i) Note 3(k) – leases: whether an arrangement contains a lease
- (ii) Note 3(k) – leases: lease term, underlying leased asset value
- (iii) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (iv) Note 12 - recognition and measurement of regulatory balances

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**2. Basis of presentation (continued)**

(e) Rate regulation (continued)

Rate setting

*Distribution revenue*

For its distribution revenue, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Corporation’s business. The Corporation forecasts electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review. The Corporation is currently within an OEB approved deferral window for COS filing having recently merged with West Coast Huron Energy. The Corporation’s next COS application filed 8 years after the merger will be an application to harmonize rate structures between the two areas.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation 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. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application on September 15, 2017 for rates effective January 1, 2019 to April 30, 2019. On November 5, 2019 the Corporation filed an IRM application with the OEB for its Main rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30% resulting in a net increase of 1.70% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 1.90% to the previous year’s rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.00% to the previous year’s rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year’s rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year’s rates.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**2. Basis of presentation (continued)**

(e) Rate regulation (continued)

The Corporation last filed a COS application for its Goderich Rate Zone on November 16, 2012 for rates effective May 1, 2013 to April 30, 2014. On November 5<sup>th</sup> 2019 the Corporation filed an IRM application with the OEB for its Goderich rate zone for rates effective May 1, 2020 until April 30, 2021. Within this application the approved GDP IPI-FDD is 2.00%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60% resulting in a net increase of 1.40% to previous years rates. On November 25, 2020 the Corporation filed an IRM application with the OEB for rates effective May 1, 2021 until April 30, 2022. Within this application the approved GDP IPI-FDD is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 1.60% to the previous year's rates. On November 23, 2021 the Corporation filed an IRM application with the OEB for rates effective May 1, 2022 until April 30, 2023. Within this application the approved GDP IPI-FDD is 3.30%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net increase of 2.70% to the previous year's rates. On November 23, 2022 the Corporation filed an IRM application with the OEB for rates effective May 1, 2023 until April 30, 2024. Within this application the approved GDP IPI-FDD is 3.70%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 3.40% to the previous year's rates. On November 3, 2023 the Corporation filed an IRM application with the OEB for rates effective May 1, 2024 until April 30, 2025. Within this application the approved GDP IPI-FDD is 4.80%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.30%, resulting in a net increase of 4.50% to the previous year's rates.

*Electricity rates*

The OEB sets electricity prices for low-volume consumers once each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB has a decision and order in place banning utilities in Ontario from disconnecting homes for nonpayment during the winter. This ban is normally in place from November 15 to April 30 each year.

**3. Material accounting policies**

The material accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

*Non-derivative*

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(d).

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

*Non-derivative (Continued)*

Trade receivables are initially measured at the invoiced amount. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

*Financial assets - Recognition and de-recognition*

All financial assets are recognized and de-recognized on the trade date. The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets - Subsequent measurement*

Financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss. Financial assets at FVTPL are measured at fair value. Net changes in the fair value are recognized in profit or loss. Financial assets at fair value through other comprehensive income ("FVOCI") are measured at fair value. Net changes in the fair value are recognized in other comprehensive income.

*Financial assets - Impairment*

The Corporation applies the expected credit loss model to financial assets at amortized cost, contract assets and debt instruments measured at FVOCI. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses ("ECLs") in accordance with the 'simplified approach' available under the standard. Under this approach, loss allowances on trade accounts receivable are always measured at lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and includes forward-looking information.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

*Financial liabilities - Recognition and de-recognition*

The Corporation de-recognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire.

*Financial liabilities - Subsequent measurement*

Financial liabilities at amortized cost are measured using the effective interest rate method.

*Classification under IFRS 9*

The Corporation uses the following methods and assumptions to estimate the fair value of each class of nonderivative financial instruments for which carrying amounts are included in the consolidated balance sheets:

- Cash and cash equivalents are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Bank indebtedness is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of the instruments.
- The uncommitted operating revolving loan facility is classified as "Amortized cost" and initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts payable and accrued liabilities, payments in lieu of income taxes payable, dividends payable, due to related parties, lease liabilities and deferred revenue are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Long-term debt is classified as "Amortized cost" and is initially measured at fair value. The carrying amounts approximate fair value because of the nature of the instruments. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Customer and other deposits are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value considering interest accrued on the outstanding balance.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(a) Financial instruments (continued)

Derivative

Derivatives are initially measured at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract upon initial recognition and accounted for separately at FVTPL when the host contract is not a financial asset and certain conditions are met. The Corporation does not use derivative instruments for speculative purposes.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value using level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

*Fair value measurements*

The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities. The Corporation does not use Level 1 inputs for its fair value measurements.
- Level 2: inputs, other than quoted prices in active markets, that are observable for the asset or liability either directly or indirectly. The Corporation's Level 2 inputs include quoted market prices for interest rates and credit risk premiums. The Corporation obtains information from sources including the Bank of Canada and market exchanges. The Corporation uses Level 2 inputs for all of its financial instrument fair value measurements.
- Level 3: inputs that are not based on observable market data. The Corporation does not use Level 3 inputs for any of its fair value measurements.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(b) Revenue recognition

*Sale and distribution of electricity*

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

*Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

*Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered.

(c) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

**ERTH POWER CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	55 - 60
Automotive equipment	8 - 10
Computer equipment	5 - 15
Services, office and other equipment	5 - 15
Transmission and distribution system	12 - 60

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization.

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. Goodwill is measured at cost less accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are as follows:

	Years
Computer software	3 - 15
Goodwill	indefinite life
Land rights	indefinite life

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Deposits that are refundable upon demand are classified as a current liability.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

**ERTH POWER CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**3. Material accounting policies (continued)**

(j) Post-employment benefits (continued)

(ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in statement of comprehensive income.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**ERTH POWER CORPORATION**  
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**3. Material accounting policies (continued)**

(k) Leased assets (continued)

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations, interest on customer deposits and unwinding of the discount on provisions. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

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**4. Standards issued but not yet adopted**

*Future accounting changes*

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

(a) *Presentation and Disclosure in Financial Statements (IFRS 18)*

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18), which replaces IAS 1 and introduces limited amendments to IAS 7 Statement of Cash Flows. IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2027. The extent of the impact of adoption of the standard has not yet been determined.

(b) *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7))*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2026. The extent of the impact of adoption of the standard has not yet been determined.

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**5. Change in accounting policies**

There are new accounting standards, amendments to standards and interpretations which have been applied in preparing these financial statements.

(a) *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued amendments to *IAS 1 Presentation of Financial Statements (the 2020 amendments)*, to clarify the classification of liabilities as current or non-current.

On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 amendments), to improve the information a company provides about long-term debt with covenants.

The 2020 amendments and the 2022 amendments (collectively “the Amendments”) are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments.

For the purposes of non-current classification, the Amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.

The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability’s classification at that date.

The Amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The Amendments state that:

- settlement of a liability includes transferring a company’s own equity instruments to the counterparty; and
- when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The Corporation adopted these amendments in its financial statements for the annual period beginning on January 1, 2024. The amendments did not have a material impact on the financial statements except as noted above.

**6. Accounts receivable**

	<b>2024</b>	<b>2023</b>
Trade receivables	\$ 7,736,222	\$ 7,624,671
Billable work	<u>991,350</u>	<u>496,856</u>
	<u>\$ 8,727,572</u>	<u>\$ 8,121,527</u>

**7. Materials and supplies**

Amounts written down due to obsolescence in 2024 was nil (2023 - nil).

**ERTH POWER CORPORATION**  
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**8. Investment**

The Corporation holds 386 Common shares of Sunlife Financial with a fair value at December 31, 2024 of \$32,945 (2023 - \$26,526).

**9. Property, plant and equipment**

	Land and buildings	Distribution equipment	Other fixed assets	Construction in progress	Total
<i>Cost or deemed cost</i>					
Balance at Jan. 1, 2024	\$ 3,976,820	\$ 80,991,968	\$ 4,974,599	\$ 2,370,513	\$ 92,313,900
Additions	10,697	260,010	492,761	16,178,404	16,941,872
Transfers	-	8,120,098	260,009	(8,380,107)	-
Disposals/retirements	<u>(2,916,277)</u>	<u>(3,000,177)</u>	<u>(568,700)</u>	<u>-</u>	<u>(6,485,154)</u>
Balance at Dec. 31, 2024	<u>\$ 1,071,240</u>	<u>\$ 86,371,899</u>	<u>\$ 5,158,669</u>	<u>\$ 10,168,810</u>	<u>\$ 102,770,618</u>
Balance at Jan. 1, 2023	\$ 3,951,693	\$ 74,837,705	\$ 5,624,027	\$ 2,485,219	\$ 86,898,644
Additions	25,127	18,694	376,868	6,706,110	7,126,799
Transfers	-	6,820,816	-	(6,820,816)	-
Disposals/retirements	<u>-</u>	<u>(685,247)</u>	<u>(1,026,296)</u>	<u>-</u>	<u>(1,711,543)</u>
Balance at Dec. 31, 2023	<u>\$ 3,976,820</u>	<u>\$ 80,991,968</u>	<u>\$ 4,974,599</u>	<u>\$ 2,370,513</u>	<u>\$ 92,313,900</u>
<i>Accumulated depreciation</i>					
Balance at Jan. 1, 2024	\$ 1,394,832	\$ 14,568,632	\$ 2,831,229	\$ -	\$ 18,794,693
Depreciation	281,651	2,181,315	644,617	-	3,107,583
Disposals/retirements	<u>(1,165,944)</u>	<u>(3,000,177)</u>	<u>(568,700)</u>	<u>-</u>	<u>(4,734,821)</u>
Balance at Dec. 31, 2024	<u>\$ 510,539</u>	<u>\$ 13,749,770</u>	<u>\$ 2,907,146</u>	<u>\$ -</u>	<u>\$ 17,167,455</u>
Balance at Jan. 1, 2023	\$ 1,115,984	\$ 13,381,509	\$ 3,212,169	\$ -	\$ 17,709,662
Depreciation	278,848	2,061,366	456,574	-	2,796,788
Disposals/retirements	<u>-</u>	<u>(874,243)</u>	<u>(837,514)</u>	<u>-</u>	<u>(1,711,757)</u>
Balance at Dec. 31, 2023	<u>\$ 1,394,832</u>	<u>\$ 14,568,632</u>	<u>\$ 2,831,229</u>	<u>\$ -</u>	<u>\$ 18,794,693</u>
<i>Carrying amounts</i>					
At December 31, 2024	\$ 560,701	\$ 72,622,129	\$ 2,251,523	\$ 10,168,810	\$ 85,603,163
At December 31, 2023	<u>2,581,988</u>	<u>66,423,336</u>	<u>2,143,370</u>	<u>2,370,513</u>	<u>73,519,207</u>

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**9. Property, plant and equipment (continued)**

At December 31, 2024, land and buildings include right-of-use assets related to lease of office space with the cost of \$783,228 (2023 - \$3,688,808), accumulated depreciation of \$452,837 (2023 - \$1,341,664) and carrying amount of \$330,391 (2023 - \$2,347,144). For the year ended December 31, 2024, the Corporation recorded depreciation expense of \$277,116 (2023 - \$274,978) related to the right-of-use assets.

At December 31, 2024, other fixed assets include right-of-use assets with the cost of \$615,967 (2023 - \$977,291), accumulated depreciation of \$541,853 (2023 - \$834,850) and carrying amount of \$74,114 (2023 - \$142,441). For the year ended December 31, 2024, the Corporation recorded depreciation expense of \$68,327 (2023 - \$86,388) related to the right-of-use assets.

The corresponding finance lease obligation for the right of use assets has been disclosed in note 15.

At December 31, 2024 all current and future personal property including property, plant and equipment with a carrying amount of \$85,272,772 (2023 - \$71,172,063) are subject to a general security agreement.

During the year, borrowing costs of \$273,386 (2023 - \$90,896) were capitalized as part of property, plant and equipment.

PP&E and intangible asset purchase commitments outstanding as at December 31, 2024 are \$18,927,792 (2023 - \$1,060,167).

**10. Intangible assets**

	Computer software	Land rights	Goodwill	Total
<i>Cost or deemed cost</i>				
Balance at Jan. 1, 2024	\$ 505,923	\$ 50,641	\$ 4,793,925	\$ 5,350,489
Additions	77,082	-	-	77,082
Disposals/retirements	<u>(39,987)</u>	<u>-</u>	<u>-</u>	<u>(39,987)</u>
Balance at Dec. 31, 2024	<u>\$ 543,018</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,387,584</u>
Balance at Jan. 1, 2023	\$ 504,791	\$ 48,404	\$ 4,793,925	\$ 5,347,120
Additions	2,632	2,237	-	4,869
Disposals/retirements	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Balance at Dec. 31, 2023	<u>\$ 505,923</u>	<u>\$ 50,641</u>	<u>\$ 4,793,925</u>	<u>\$ 5,350,489</u>
<i>Accumulated amortization</i>				
Balance at Jan. 1, 2024	\$ 420,841	\$ -	\$ -	\$ 420,841
Amortization	56,609	-	-	56,609
Disposals/retirements	<u>(39,987)</u>	<u>-</u>	<u>-</u>	<u>(39,987)</u>
Balance at Dec. 31, 2024	<u>\$ 437,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,463</u>
Balance at Jan. 1, 2023	\$ 361,507	\$ -	\$ -	\$ 361,507
Amortization	60,834	-	-	60,834
Disposals/retirements	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Balance at Dec. 31, 2023	<u>\$ 420,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,841</u>
<i>Carrying amounts</i>				
At December 31, 2024	\$ 105,555	\$ 50,641	\$ 4,793,925	\$ 4,950,121
At December 31, 2023	<u>85,082</u>	<u>50,641</u>	<u>4,793,925</u>	<u>4,929,648</u>

**ERTH POWER CORPORATION**  
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**11. Income tax expense**

	<b>2024</b>	<b>2023</b>
Current tax expense	\$ 464,000	\$ 121,000
Deferred tax expense		
Change in recognized deductible temporary differences	<u>175,000</u>	<u>485,000</u>
Total current and deferred income tax in profit or loss, before movement of regulatory balances	639,000	606,000
Other comprehensive income:		
Other	2,000	(1,000)
Post-employment benefits	<u>4,000</u>	<u>(14,000)</u>
	<u>6,000</u>	<u>(15,000)</u>
Total current and deferred tax, before movement of regulatory balances	645,000	591,000
Net movement in regulatory balances	<u>(181,000)</u>	<u>(470,000)</u>
Income tax expenses recognized in statement of comprehensive income	<u>\$ 464,000</u>	<u>\$ 121,000</u>

Reconciliation of effective tax rate

	<b>2024</b>	<b>2023</b>
Income before taxes	\$ 2,304,127	\$ 2,224,523
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	611,000	589,000
Increase (decrease) in income taxes resulting from:		
Permanent difference	22,000	3,000
Recognized deductible temporary differences due to/from customers	(181,000)	(470,000)
Other	<u>12,000</u>	<u>(1,000)</u>
Income tax expense	<u>\$ 464,000</u>	<u>\$ 121,000</u>

Significant components of the Corporation's deferred tax balances

	<b>2024</b>	<b>2023</b>
Deferred tax (liabilities) assets:		
Property, plant, equipment and intangible assets	\$ (3,539,000)	\$ (3,401,000)
Post-employment benefits	295,000	302,000
Other	<u>76,000</u>	<u>112,000</u>
	<u>\$ (3,168,000)</u>	<u>\$ (2,987,000)</u>

**12. Regulatory balances**

Reconciliation of the carrying amount for each class of regulatory balances

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
<b>Regulatory deferral account debit balances</b>				
Regulatory assets account	\$ 5,865,705	\$ 1,012,178	\$ (2,741,249)	\$ 4,136,634
Regulatory settlement account	2,615,487	(2,599,073)	2,647,695	2,664,109
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	261,294	50,646	-	311,940
Deferred income tax	<u>2,987,000</u>	<u>181,000</u>	<u>-</u>	<u>3,168,000</u>
	<u>\$ 11,797,301</u>	<u>\$ (1,355,249)</u>	<u>\$ (93,554)</u>	<u>\$ 10,348,498</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

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**12. Regulatory balances (continued)**

	January 1, 2023	Additions	Recovery/ (reversal)	December 31, 2023
<b>Regulatory deferral account debit balances</b>				
Regulatory settlement account	\$ 8,290,502	\$ 1,607,435	\$ (4,032,232)	\$ 5,865,705
Regulatory asset account	-	(1,394,615)	4,010,102	2,615,487
Regulatory adjustments	67,815	-	-	67,815
Other regulatory accounts	132,588	128,706	-	261,294
Deferred income tax	<u>2,517,000</u>	<u>470,000</u>	<u>-</u>	<u>2,987,000</u>
	<u>\$ 11,007,905</u>	<u>\$ 811,526</u>	<u>\$ (22,130)</u>	<u>\$ 11,797,301</u>

All regulatory deferral account debit balances have a remaining recovery reversal of 1 year.

	January 1, 2024	Additions	Recovery/ (reversal)	December 31, 2024
<b>Regulatory deferral account credit balances</b>				
Regulatory liability account	\$ 1,204,125	\$ (480,420)	\$ (93,554)	\$ 630,151
Other regulatory accounts	<u>386,907</u>	<u>85,641</u>	<u>-</u>	<u>472,548</u>
	<u>\$ 1,591,032</u>	<u>\$ (394,779)</u>	<u>\$ (93,554)</u>	<u>\$ 1,102,699</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

	January 1, 2023	Additions	Recovery/ (reversal)	December 31, 2023
<b>Regulatory deferral account credit balances</b>				
Regulatory liability account	\$ 1,008,200	\$ 218,055	\$ (22,130)	\$ 1,204,125
Regulatory settlement account	444,027	(444,027)	-	-
Other regulatory accounts	<u>205,021</u>	<u>181,886</u>	<u>-</u>	<u>386,907</u>
	<u>\$ 1,657,248</u>	<u>\$ (44,086)</u>	<u>\$ (22,130)</u>	<u>\$ 1,591,032</u>

All regulatory deferral account credit balances have a remaining recovery reversal of 1 year.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers Acceptances three-month rate plus a spread of 25 basis points. In 2024, the rate was 5.49% at the start of the year then decreased to 5.20% in July and decreased again to 4.40% in October.

**13. Bank indebtedness**

Through a mirror banking agreement with its parent Corporation, the Corporation has available to its use a \$15,000,000 revolving line of credit bearing interest at Canadian commercial bank prime less 0.40%. The Corporation provides a guarantee on this facility, as outlined in note 26. The amount drawn on the facility totals \$943,765 at December 31, 2024 (2023 - \$1,872,820).

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**14. Accounts payable and accrued liabilities**

	<b>2024</b>	<b>2023</b>
Trade payables	\$ 11,672,432	\$ 10,820,091
Payroll payables	<u>393,575</u>	<u>245,231</u>
	<u>\$ 12,066,007</u>	<u>\$ 11,065,322</u>

All payables and government remittances owing are current as at year end.

**15. Long-term debt**

	<b>2024</b>	<b>2023</b>
Term loans (a)	\$ 18,444,869	\$ -
Demand note (a)	-	10,000,000
Shareholder notes (b)	8,038,524	8,038,524
Shareholder demand notes (c)	5,057,845	5,057,845
Financing loans (d)	806,547	531,765
Bankers acceptance (a)	-	5,400,000
Finance lease obligation (e)	<u>370,784</u>	<u>2,709,825</u>
	32,718,569	31,737,959
Less: current portion	<u>353,475</u>	<u>5,854,450</u>
	<u>\$ 32,365,094</u>	<u>\$ 25,883,509</u>

(a) Term loans

During the year, the Corporation renegotiated its outstanding debt, repaying its demand note payable to EARTH Corporation and replacing its bankers acceptances' with two new term loans. The term loan facilities are part of non-revolving credit facility, due November 2029 with interest payable monthly at daily CORRA plus 1.08%.

The first term loan of \$10,000,000 (2023 - nil) is fully drawn on. On this term loan the Corporation has an interest rate swap agreement on a notional principal of \$10,000,000 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receivable variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$234,469 (2023 - nil) as at December 31, 2024. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 24. On maturity, the debt will return to the floating rate defined in the term loan.

The second term loan of \$35,000,000 is partially drawn in the amount of \$8,444,869 (2023 - nil). On this term loan the Corporation has an interest rate swap agreement on a notional principal of \$8,444,869 maturing November 25, 2029. The swap is held with the Bank of Nova Scotia and is a receivable variable, pay fixed swap from November 25, 2024 to November 25, 2029. The interest rate swap agreement is in a net unfavourable position of \$198,006 (2023 - nil) as at December 31, 2024. This agreement has effectively converted variable interest rates on the unsecured daily CORRA's to an effective fixed interest rate 3.21% from November 25, 2024 to November 25, 2029, plus stamping fee of 1.08% for an all-in rate of 4.29% as disclosed in note 24. On maturity, the debt will return to the floating rate defined in the term loan.

The associated unrealized gains and losses on the above swaps are included in the statement of operations in note 24.

Security on the loan is described in note 9.

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**15. Long-term debt (continued)**

(b) Shareholder notes

The shareholder notes represent amounts owing to the municipal shareholders of ERTH Corporation for purchase of the respective Municipality's Hydro Electric Commission's net assets. The rate of interest is currently 7.25% and is set by the Board of Directors, from time to time. There are no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called. The principal amounts are convertible at the option of the Corporation into Class B shares. The loan is secured by a second position General Security Agreement covering accounts receivable, inventory and equipment, including motor vehicles.

The amounts owing to the municipalities are as follows:

	<b>2024</b>	<b>2023</b>
Aylmer	\$ 1,694,863	\$ 1,694,863
Central Elgin	806,436	806,436
East-Zorra-Tavistock	569,073	569,073
Goderich	3	-
Ingersoll	3,402,080	3,402,080
Municipality of West Perth	3	-
Norwich	763,755	763,755
South-West Oxford	192,062	192,062
Zorra	<u>610,255</u>	<u>610,255</u>
	<u>\$ 8,038,530</u>	<u>\$ 8,038,524</u>

(c) Shareholder demand notes

The Corporation has a demand promissory note payable to the Town of Goderich for \$2,974,454 (2023 - \$2,974,454) which bears interest at 7.25%. Interest is payable in quarterly installments of \$53,912. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$1,183,391 (2023 - \$1,183,391) which bears interest at 7.25%. Interest is payable in quarterly installments of \$21,449. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has eighteen months to repay the note when called.

The Corporation has a demand promissory note payable to the Municipality of West Perth for \$900,000 (2023 - \$900,000) which bears interest at 7.25%. Interest is payable in quarterly installments of \$16,313. This note is unsecured with no fixed repayment terms associated with the principal outstanding. As the debt holder has not demanded repayment at December 31, 2024, the debt has been classified as long-term as the Corporation has thirteen months to repay the note when called.

(d) Financing loans

The Corporation has six vehicles under loan. The vehicle loans bear interest from 2.44% - 5.98%, with monthly principal payments of \$886 to \$8,722, maturing from November 2025 to August 2029. All loans are secured by the vehicles under their respective loans.

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**15. Long-term debt (continued)**

(e) Finance lease obligations

The Corporation has one capital lease which bears interest at 3.65%, with monthly principal payments of \$8,314 maturing in December 2028.

The following table sets out a maturity analysis of lease payables, showing the undiscounted lease payments to be made after the reporting date.

	2024	2023
2024	\$ -	\$ 374,216
2025	99,763	347,397
2026	99,763	352,406
2027	99,763	357,514
2028	99,763	362,726
Thereafter	-	1,409,958
Total undiscounted lease payable	399,052	3,204,217
Interest	28,268	494,392
Present value of minimum lease payments	<u>\$ 370,784</u>	<u>\$ 2,709,825</u>

The corresponding right of use asset for the finance lease obligations has been disclosed in note 9.

(f) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Notes and loans	Finance leases	Total
Balance at Jan. 1, 2024	\$ 29,028,134	\$ 2,709,825	\$ 31,737,959
Proceeds from loans	18,942,350	-	18,942,350
Repayment of loans	(15,622,700)	-	(15,622,700)
Payments of finance leases	-	(2,339,041)	(2,339,041)
Interest paid	(3,019,126)	(96,370)	(3,115,496)
	29,328,658	274,414	29,603,072
Capitalised borrowing	273,386	-	273,386
Interest expense	2,745,741	96,370	2,842,111
Balance at Dec. 31, 2024	<u>\$ 32,347,785</u>	<u>\$ 370,784</u>	<u>\$ 32,718,569</u>
Balance at Jan. 1, 2023	\$ 23,620,015	\$ 3,009,049	\$ 26,629,064
Proceeds from loans	5,566,459	-	5,566,459
Repayment of loans	(158,339)	-	(158,339)
Payments of finance leases	-	(299,224)	(299,224)
Interest paid	(2,243,004)	(107,331)	(2,350,335)
	26,785,131	2,602,494	29,387,625
Capitalised borrowing	90,896	-	90,896
Interest expense	2,152,107	107,331	2,259,438
Balance at Dec. 31, 2023	<u>\$ 29,028,134</u>	<u>\$ 2,709,825</u>	<u>\$ 31,737,959</u>

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**16. Customer deposits**

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

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 deferred revenue.

Customer deposits comprised of:

	<b>2024</b>	<b>2023</b>
Electricity deposits	\$ 617,522	\$ 922,598
Construction deposits	<u>901,044</u>	<u>1,994,810</u>
	1,518,566	2,917,408
Less: Current portion	<u>1,400,835</u>	<u>2,405,896</u>
	<u>\$ 117,731</u>	<u>\$ 511,512</u>

**17. Deferred revenue**

Deferred revenue relates to the capital contributions received from customers and others. The amount of deferred revenue received from customers is \$16,110,915 (2023 - \$12,551,721). Deferred revenue is recognized as revenue on a straight-line basis over the life of asset for which the contribution was received. Amortization commences when the asset is available for use. During 2024, deferred revenue of \$256,084 (2023 - \$208,080) was recognized in income.

**18. Post-employment benefits**

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of \$433,051 to OMERS (2023 - \$413,406). The Corporation expects to contribute a similar amount to the OMERS plan in 2025.

As at December 31, 2024, OMERS had approximately 640,000 members, of whom 46 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded, with an unfunded liability of \$2.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

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**18. Post-employment benefits (continued)**

(b) Post-employment benefits other than pension

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expenses and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation

	<b>2024</b>	<b>2023</b>
Defined benefit obligation, beginning of year	\$ 1,139,900	\$ 1,115,700
Included in profit or loss		
Current service cost	20,600	18,000
Interest cost	<u>50,600</u>	<u>55,300</u>
	71,200	73,300
Included in OCI		
Actuarial gains (losses) arising from:		
Changes in experience	(22,300)	(5,300)
Changes in financial assumptions	<u>5,400</u>	<u>56,800</u>
	(16,900)	51,500
Benefits paid	<u>(81,400)</u>	<u>(100,600)</u>
Defined benefit obligation, end of year	<u>\$ 1,112,800</u>	<u>\$ 1,139,900</u>

(b) Post-employment benefits other than pension (continued)

Actuarial assumptions

	<b>2024</b>	<b>2023</b>
Discount rate	4.60%	4.65%
Medical costs	4.71%	4.71%
Dental costs	5.14%	5.14%

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$117,900 similarly, a 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$117,900.

**19. Share capital**

Authorized

Unlimited number of common shares

	<b>2024</b>	<b>2023</b>
Issued capital		
10,000 Common shares	<u>\$ 14,265,677</u>	<u>\$ 14,265,677</u>

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

No dividends were declared or paid in 2024 and 2023.

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**20. Revenue from Contracts with Customers**

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type of customer.

*Sale of Energy*

	<b>2024</b>	<b>2023</b>
Residential	\$ 20,792,240	\$ 17,084,046
Commercial	14,429,220	12,483,567
Large users	10,007,268	9,605,321
Other	<u>26,548,411</u>	<u>22,806,073</u>
	<u>\$ 71,777,139</u>	<u>\$ 61,979,007</u>

*Distribution Revenue*

	<b>2024</b>	<b>2023</b>
Residential	\$ 9,692,593	\$ 9,211,815
Commercial	3,869,250	3,798,437
Large users	1,280,547	937,978
Other	<u>672,617</u>	<u>539,042</u>
	<u>\$ 15,515,007</u>	<u>\$ 14,487,272</u>

**21. Other revenue**

	<b>2024</b>	<b>2023</b>
Service	\$ 546,404	\$ 591,477
Amortization of deferred revenue	<u>256,084</u>	<u>208,080</u>
	<u>\$ 802,488</u>	<u>\$ 799,557</u>

**22. Employee salaries and benefits**

	<b>2024</b>	<b>2023</b>
Salaries, wages and benefits	\$ 2,544,866	\$ 2,420,071
CPP and EI remittances	214,830	204,458
Contributions to OMERS	433,051	413,406
Post-employment benefit plans	<u>71,200</u>	<u>73,300</u>
	<u>\$ 3,263,947</u>	<u>\$ 3,111,235</u>

**23. Operating expenses**

	<b>2024</b>	<b>2023</b>
Contracting and consulting	\$ 794,679	\$ 506,330
Materials and supplies	1,265,297	1,133,532
Vehicle recovery	(341,054)	(219,605)
Billing and collecting	1,278,129	1,214,994
Office administration	2,086,352	2,059,692
Community relations	270,720	270,634
Gain on sale of assets	(361,483)	(52,601)
Other	<u>156,831</u>	<u>194,753</u>
	<u>\$ 5,149,471</u>	<u>\$ 5,107,729</u>

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**24. Finance costs**

	<b>2024</b>	<b>2023</b>
Finance costs		
Interest expense on long-term debt	\$ 736,988	\$ 725,000
Shareholder note interest	949,487	949,487
Interest expense on customer deposits	32,006	37,819
Interest expense on finance leases	96,370	107,331
Overdraft and other bank charges	<u>562,778</u>	<u>401,983</u>
Total finance costs	2,377,629	2,221,620
Unrealized loss on interest rate swap	<u>432,475</u>	<u>-</u>
Net finance costs and unrealized swap loss recognized in profit or loss	<u>\$ 2,810,104</u>	<u>\$ 2,221,620</u>

**25. Contingencies**

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

**26. Guarantee**

The Corporation has guaranteed the operating and term loans of its parent Corporation ERTH Corporation up to 25% of the Corporation's equity or \$9,748,258. The loans are secured by a General Security Agreement covering all assets of the Corporation and a pledge of the shares of the Corporation. As the Corporation does not expect to be in a position where it would need to honour this guarantee, no liability has been recorded in these financial statements.

**27. Operating leases**

The Corporation is committed to lease agreements for low value or short-term leased equipment.

The future minimum non-cancelable annual lease payments for these low value or short-term leases are as follows:

	<b>2024</b>	<b>2023</b>
Less than one year	\$ 7,140	\$ 7,140
Between one and five years	<u>1,190</u>	<u>8,330</u>
	<u>\$ 8,330</u>	<u>\$ 15,470</u>

During the year ended December 31, 2024 an expense of \$7,140 (2023 - \$18,616) was recognized in operating expenses in the statement of comprehensive income in respect of operating leases.

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**28. Related party transactions**

The transactions between the Corporation and its related parties, other than electricity delivery charges as noted below, are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties, unless otherwise noted.

(a) Shareholders and ultimate controlling party

The sole shareholder of the Corporation is ERTH Corporation, which in turn is wholly-owned by nine municipalities consisting of Aylmer, Central Elgin, East-Zorra-Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth.

(b) Companies under common control

ERTH Corporation owns 100% of the issued and outstanding shares of ERTH Limited.

ERTH Business Technologies Inc. and ERTH (Holdings) Inc. are wholly-owned subsidiaries of ERTH Limited.

(c) Outstanding balances with related parties

The following represent due from/to in the normal course of operations:

	<b>2024</b>	<b>2023</b>
Due from:		
ERTH Corporation	\$ 131,907	\$ 97,988
ERTH (Holdings) Inc.	92,040	21,291
ERTH Business Technologies Inc.	<u>782</u>	<u>1,325</u>
	<u>\$ 224,729</u>	<u>\$ 120,604</u>
	<b>2024</b>	<b>2023</b>
Due to:		
ERTH Corporation	\$ 295,461	\$ 29,983
ERTH (Holdings) Inc.	414,972	124,329
ERTH Business Technologies Inc.	200	190
Town of Goderich	876,589	800,457
Town of Aylmer	<u>481,113</u>	<u>960,324</u>
	<u>\$ 2,068,335</u>	<u>\$ 1,915,283</u>

The Corporation has contracted ERTH (Holdings) Inc. and ERTH Business Technologies Inc., to provide maintenance and upgrades to the existing capital infrastructure of the Corporation and administrative services.

(d) Transactions with parent

The Corporation has a contract with ERTH Corporation, the parent company, for management services and rental of facilities used by the Corporation.

During the year, the Corporation paid management services, consulting services and lease fees for right-of-use assets to its parent in the amount of \$1,150,000, \$213,500 and \$246,000 respectively (2023 - \$1,153,000, \$209,000 and \$241,000).

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**28. Related party transactions (continued)**

(e) Transactions with companies under common control

During the year, the Corporation had the following transactions with related parties as follows:

- purchased capitalized distribution system items of \$509,865 (2023 - \$534,334), operations, maintenance and administration services of \$1,368,397 (2023 - \$1,105,086), sold capitalized items of \$40,000 (2023 - nil), operations, maintenance and admission services of \$201,981 (2023 - \$146,755) to ERTH (Holdings) Inc.

In the ordinary course of business, the Corporation delivers electricity to ERTH (Holdings) Inc. Electricity is billed to ERTH (Holdings) Inc. at prices and under terms approved by the OEB.

(f) Transactions with ultimate parents

The Corporation delivers electricity to the nine municipalities throughout the year for the electricity needs of the municipalities and their related organizations. Electricity delivery charges are at prices under terms approved by the OEB. The Corporation also provides additional supports to its shareholders for various services and capital work in the amount of \$268,611 (2023 - \$318,101).

The Town of Goderich charges the Corporation for annual rent.

**29. Financial instruments and risk management**

*Fair value disclosure*

The carrying values of accounts receivable, unbilled revenue, due from/to related parties, bank indebtedness and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The fair values and interest rates used to calculate fair values are as follows:

	December 31, 2024			December 31, 2023		
	Carrying Value	Fair value	Interest rate	Carrying Value	Fair value	Interest rate
Term loan	\$ 18,444,869	\$ 19,258,178	4.05%	\$ 5,400,000	\$ 5,742,574	5.00%
Shareholder notes	13,096,369	13,935,599	4.16%	13,096,369	13,900,994	5.00%
Demand promissory notes	-	-	-	<u>10,000,000</u>	<u>10,614,413</u>	5.00%
	<u>\$ 31,541,238</u>	<u>\$ 33,193,777</u>		<u>\$ 28,496,369</u>	<u>\$ 30,257,981</u>	

The fair value of available for sale financial assets is based on the closing value of the equity in publicly traded markets.

Interest rate swaps are recorded at their fair value, which is provided at the measurement date by a third party Canadian commercial bank.

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**29. Financial instruments and risk management (continued)**

*Financial risks*

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the municipalities of Aylmer, Central Elgin, East-Zorra Tavistock, Goderich, Ingersoll, Norwich, South-West Oxford, Zorra and West Perth. As a result, the Corporation did not earn a significant amount of revenue from any one individual customer.

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 profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$592,257 (2023 - \$479,594). An impairment loss of \$112,946 (2023 - \$52,838) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit losses allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including but not limited to, recent trends for customer collections and current forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk. At December 31, 2024, approximately \$210,968 (2023 - \$145,811) is considered 60 days past due. The Corporation has over 25,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits and service disconnections from customers in accordance with directions provided by the OEB. As at December 31, 2024, the Corporation holds security deposits in the amount of \$617,522 (2023 - \$922,598).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

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**29. Financial instruments and risk management (continued)**

(c) Liquidity risk

The Corporation's ultimate parent company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The ultimate parent's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$78.8 million credit facility, which is held by the parent and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, \$36 million has been drawn under the parent's credit facility.

The Corporation also has a bilateral facility for \$2.9 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$2,828,800 has been drawn and posted with the IESO (2023 - \$2,828,800).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

The following are the remaining contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2024				
Term loans	\$ 18,444,869	\$ 813,419	\$ 21,630,759	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	806,547	301,308	587,023	-
Finance lease obligations	370,784	-	399,052	-
Bank indebtedness	9,852,811	9,852,811	-	-
Trade payables and accrued liabilities	12,066,007	12,066,007	-	-
Due to related parties	2,068,335	2,068,335	-	-
Customer deposits	1,518,566	1,400,835	117,731	-
	<u>\$ 58,224,288</u>	<u>\$ 27,484,942</u>	<u>\$ 36,322,048</u>	<u>\$ -</u>

	Carrying amount	Due within one year	Due within two to five years	Due more than five years
December 31, 2023				
Demand note	\$ 10,000,000	\$ 750,000	\$ 10,375,000	\$ -
Shareholder notes	8,038,524	602,889	8,339,969	-
Shareholder demand notes	5,057,845	379,338	5,247,514	-
Financing loans	531,765	191,516	376,487	-
Bankers acceptances	5,400,000	5,721,503	-	-
Finance lease obligations	2,709,825	374,216	1,420,043	1,409,958
Bank indebtedness	2,495,101	2,495,101	-	-
Trade payables and accrued liabilities	11,065,322	-	-	-
Due to related parties	1,915,283	1,915,283	-	-
Customer deposits	2,917,408	2,405,896	511,512	-
	<u>\$ 45,298,382</u>	<u>\$ 21,579,885</u>	<u>\$ 25,759,013</u>	<u>\$ 1,409,958</u>

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**29. Financial instruments and risk management (continued)**

*Financial risks (continued)*

(d) Capital disclosures

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$38,993,031 (2023 - \$37,152,905) and long-term debt amounts to \$32,365,094 (2023- \$25,883,509).

## APPENDIX G

### **Earnings Sharing Mechanism Deferral Account – Draft Accounting Order *Accounting Order 2435 - Accrued Rate-Payer Benefit (Earnings Sharing Mechanism)***

The Applicant has proposed Earnings Sharing Mechanism (“ESM”) along with the establishment of a new deferral account to ensure that a portion of any achieved post-closing earnings above an approved regulatory threshold is shared with ratepayers.

In accordance with the Handbook to Electricity Distributor and Transmitter Consolidations, a new variance account “2435 Accrued Rate-Payer Benefit” is established to record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of THI that are greater than 300 basis points above the allowed regulated rate of return established in EB-2023-0053 (“allowed ROE”) for Years 6 to 9 of the rebasing deferral period.

The assessment of earnings will commence with the availability of the Year 6 audited financial results and will continue to be reviewed and computed on an annual basis. Excess earnings beyond 300 basis points of THI or its successor entity’s allowed ROE will be shared 50:50 with customers annually. The regulatory net income and regulated return on equity (“ROE”) would be computed based on L THI or its successor entity’s annual audited financial results, adjusted for any revenue and expenses that are not otherwise included for regulatory purposes, consistent with the Board’s current established regulated ROE model under the Board’s Reporting and Record Keeping requirements. Under this methodology, the actual regulated ROE is calculated by dividing adjusted regulatory net income by the deemed equity component of rate base.

THI or its successor entity’s allowed ROE would be computed based on its approved ROE percentages weighted by the deemed equity component of rate base. The ROE percentages and equity component of rate base would be based on figures established in EB-2023-0053. With this approach the approved ROE on which to base the ESM would be 9.21%.

The following outlines the accounting entries for this deferral account:

Debit Account 4395 Rate-Payer Benefit Including Interest  
Credit Account 2435 Accrued Rate-Payer Benefit

To record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of LDC Amalco that are greater than 300 basis points above the allowed regulated rate of return established in EB-2023-0053 for Years 6 to 9 of the rebasing deferral period.

Debit Account 4395 Rate-Payer Benefit Including Interest  
Credit Account 2435 Accrued Rate-Payer Benefit.