

E.L.K. Energy Inc.
2027 Cost of Service Rate Application
Exhibit 5
Cost of Capital and Capital Structure





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5.1 Capital Structure

5.1.1 Overview

This Exhibit summarizes the method and cost of capital requirements for the 2027 Test Year.

E.L.K. has followed the OEB's EB-2024-0063 Decision and Order to determine its capital structure. E.L.K. relied on the Board's letter titled Cost of Capital Parameter Updates for 2026 Applications dated October 31, 2025, for the cost of capital parameters.

The Table below outlines the OEB's most recent Cost of Capital parameters utilized in this Application.

Table 1 - OEB Cost of Capital Parameters

Cost of Capital Parameter	Value
Return on Equity	9.11%
Deemed Long-Term Debt Rate	4.73%
Deemed Short-Term Debt Rate	2.72%

E.L.K. confirms that the cost of capital parameters currently used in this Application may be updated as necessary to reflect the most recent values at the time the OEB renders a Decision regarding this Application.

E.L.K. has used the OEB's deemed capital structure consistent with that most recently approved in the OEB's EB-2024-0063 Decision. This capital structure is:

- 56% Long-term Debt
- 4% Short-term Debt
- 40% Equity

E.L.K.'s proposed actual capital structure does not materially differ from the OEB's deemed structure at this time. E.L.K.'s actual debt amounts have increased since its 2022 Cost of Service proceeding, as actual spending and investment requirements have outpaced the level of funding provided by current distribution rates, necessitating the incurrence of additional debt financing. Incremental financing is expected near-term in order to operate E.L.K. and complete necessary capital programs – debt levels are expected to stabilize by 2030 / 2031.



5.2 Cost of Capital

5.2.1 Cost of Long-Term Debt

For the purpose of this Application, E.L.K. has utilized the Board's prescribed deemed long-term debt rate of 4.73% summarized in Table 1 above. E.L.K. acknowledges and understands that the Long-Term Debt rate is subject to change at such time that the 2027 Cost of Capital parameters are issued by the OEB.

E.L.K.'s expected 2027 long-term debt is a shareholder loan from its parent, WCUL. WCUL is the holding company and acts as the treasury for the group of companies. A separate credit facility has been established with the Royal Bank of Canada by WCUL for E.L.K. to exclusively utilize – therefore, this intercompany debt is effectively third-party debt which carries a variable market interest rate. E.L.K. has used the OEB's deemed long-term debt rate in place at the time of filing this Application to represent the value of the variable market interest rate on this debt.

A summary of the long-term debt instruments and a calculation of the long-term debt rate is provided in Appendix 2-OB of the OEB Chapter 2 Appendices filed with this Application. A comparison of E.L.K.'s long-term debt in its 2022 Cost of Service compared to that proposed for the 2027 Test Year is summarized in the Table below.

Table 2 - Long-Term Debt Summary

Application	Description	Lender	Affiliate / Third Party	Fixed / Variable	Start Date	Term (Years)	Principal	Rate	Interest
2022 Cost of Service	CIBC Term Loan	CIBC Bank	Third-Party	Fixed	July 2, 2022	4	\$ 2,200,000	4.61%	\$ 101,354
2027 Cost of Service	Shareholder Loan	WCUL	Affiliate	Variable	August 11, 2026	2.8	\$ 13,509,297	4.73%	\$ 638,990

E.L.K.'s long-term debt has increased since its 2022 Cost of Service. As part of the WCUL purchase of E.L.K., existing term loans and banking arrangements had to be settled as part of closing the transaction. Further, since its 2022 Cost of Service, E.L.K.'s investment needs have greatly exceeded the level of funding provided through existing distribution rates. E.L.K.'s long-term debt is forecast to closely mirror the level for 2027 as determined by the OEB's deemed capital structure.

A copy of the E.L.K.'s affiliate debt agreement with WCUL is provided at Attachment 5-A to this Exhibit 5.



5.2.2 Cost of Short-Term Debt

For the purpose of this Application, E.L.K. has utilized the OEB's Deemed Short-Term Debt Rate of 2.72% as summarized in Table 1 above. E.L.K. acknowledges and understands that the Short-Term Debt rate is subject to change at such time that the 2027 Cost of Capital parameters are issued by the OEB.

5.2.3 Return on Equity

For the purpose of this Application, E.L.K. has utilized the OEB's Return on Equity rate of 9.11% as summarized in Table 1 above. E.L.K. acknowledges and understands that the Return on Equity is subject to change at such time that the 2027 Cost of Capital parameters are issued by the OEB.

5.2.4 Preferred Shares

E.L.K. does not have any preferred shares therefore this filing requirement is not applicable.

5.2.5 Notional Debt

E.L.K. is currently estimating its average actual debt balance at \$13.5M for 2027. E.L.K.'s deemed debt is \$13.6M which results in notional debt of \$0.1M. The difference between notional and actual interest costs forecast for 2027 is approximately \$13,000, as reflected in Appendix 2-OA and 2-OB respectively.

5.2.6 Weighted Average Cost of Capital

A summary E.L.K.'s applied for Capital Structure and Cost of Capital is provided in the Table below. This is also reflected in Appendix 2-OA of the Excel Chapter 2 Appendices filed with this Application.



Table 3 - Capital Structure and Cost of Capital

		Last OEB-approved year:		2022			
Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		(%)	(\$)	(%)		(\$)	
	Debt						
1	Long-term Debt (Notional)	56.00%	\$7,634,697	2.76%		\$210,718	
2	Short-term Debt	4.00%	\$545,335	1.17%		\$6,380	
3	Total Debt	60.0%	\$8,180,032	2.65%		\$217,098	
	Equity						
4	Common Equity	40.00%	\$5,453,355	8.66%		\$472,261	
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -	
6	Total Equity	40.0%	\$5,453,355	8.66%		\$472,261	
7	Total	100.0%	\$13,633,387	5.06%		\$689,359	
		Test Year:		2027			
Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
		(%)	(\$)	(%)		(\$)	
	Debt						
1	Long-term Debt (Notional)	56.00%	\$12,705,767	4.73%		\$600,983	
2	Short-term Debt	4.00%	\$907,555	2.72%		\$24,685	
3	Total Debt	60.0%	\$13,613,322	4.60%		\$625,668	
	Equity						
4	Common Equity	40.00%	\$9,075,548	9.11%		\$826,782	
5	Preferred Shares	0.00%	\$ -	0.00%		\$ -	
6	Total Equity	40.0%	\$9,075,548	9.11%		\$826,782	
7	Total	100.0%	\$22,688,870	6.40%		\$1,452,451	

The Table outlines E.L.K.'s previous OEB Approved capital structure consistent with Appendix 2-OA, along with E.L.K.s proposed capital structure for the 2027 Test Year. E.L.K. is requesting a Weighted Average Cost of Capital of 6.40% on a proposed Rate Base of \$22,688,870, resulting in an overall Return on Rate Base of \$1,452,451.

Further details on Rate Base are provided in Exhibit 2 of this Application. The components of the cost of capital are further detailed in the sections above.



5.2.7 Historical Return on Equity

The Table below outlines E.L.K.'s historical ROE since 2022, E.L.K.'s last rebasing year.

Table 4 - Historical Return on Equity

Year	Achieved ROE
2022	(1.97%)
2023	(22.33%)
2024	(9.34%)
2025	(0.87%)

5.2.8 Overview of Debt Management Approach

E.L.K. secures financing as required to meet working capital needs, support its capital projects and meet regulatory requirements while maintaining financial stability and liquidity. E.L.K.'s financing requirements are informed by short-term forecast working capital needs, as well as its long-term capital plan, including its capital budget and Distribution System Plan.

In recent years, E.L.K. has obtained financing to meet short-term liquidity needs and execute on its capital program. As described in Exhibit 1 and elsewhere in this Application, this approach is not sustainable long-term, and E.L.K.'s rates must be rebased in order to restore financial stability moving forward.

Over the forecast period out to 2031, E.L.K. is forecasting requirements for additional debt in order to meet the capital requirements of its DSP. E.L.K.'s owner, WCUL, acts as a treasury and is where external debt is held. A credit facility is available to WCUL to utilize for E.L.K. capital requirements. The credit facility is issued by a Canadian chartered bank and interest rates are determined based on market conditions. It is anticipated over the forecast period that additional borrowing will be required and market interest rates will be established at the time of borrowing. E.L.K.'s debt strategy is intended to address near-term priorities and urgent capital investments required to stabilize E.L.K., in addition to ensuring short-term liquidity concerns are addressed.



5.3 Not for Profit Corporations

E.L.K. is a for-profit corporation. Therefore, this filing requirement is not applicable to E.L.K.

Exhibit 5
Attachment 5-A
Affiliate Debt Agreement

LOAN AGREEMENT

THIS AGREEMENT made this 11.00 day of August, 2026 (the “**Agreement**”).

BETWEEN:

WINDSOR CANADA UTILITIES LTD.
hereinafter referred to as the “**Lender**”

- and -

E.L.K. ENERGY INC.
hereinafter referred to as the “**Borrower**”

WHEREAS the Lender has agreed to provide a revolving term facility to the Borrower up to a maximum amount of \$20,000,000.00 to assist the Borrower in its operations and working capital in accordance with the terms and conditions contained herein;

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, and the parties hereby confirm the accuracy of the above recitals which are incorporated into this Agreement by reference and further agree as follows:

ARTICLE 1 – INTERPRETATION

1.1 **Definition.** In this Agreement, unless the context otherwise requires, the following words and phrases shall have the meanings set out below, respectively:

- (a) “**Affiliate**” when used in respect of any Person, shall have the meaning ascribed to such term under the *Canada Business Corporations Act*.
- (b) “**Applicable Laws**” means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction;
- (c) “**Business Day**” means a day other than a Saturday, Sunday or public holiday and on which banks are open for business in Windsor, Ontario;

(d) “**Change of Control**” means any transaction that would cause any change to the legal or organizational structure of the Borrower wherein any one shareholder group would have greater than fifty percent (50%) of the voting shares and/or board control;

(e) “**Distribution**” means,

- a. payments of dividends or distributions (in cash, property or obligations) on any Equity Interests of the Borrower;
- b. payments to repurchase, redeem or otherwise acquire for value any outstanding Equity Interests of the Borrower (other than dividends or distributions payable in its common stock or warrants, options or other rights to purchase its common stock or subdivisions or reclassifications of its capital stock into additional or other shares of its common stock);
- c. applications of any of the funds, property or assets of the Borrower to a sinking fund dedicated to the repurchase, redemption or retirement of any Equity Interests of the Borrower;
- d. payments by the Borrower on account of salaries, benefits or bonuses out of the ordinary course of business, or the payment of any management fees to any Person or any other remuneration to an owner of Equity Interests (direct or indirect) of the Borrower or to Affiliates of such owner of Equity Interests;
- e. repayments by the Borrower of indebtedness owed by such Borrower to any owner of Equity Interests (direct or indirect) of such Borrower or to Affiliates of such owner of Equity Interests;
- f. advances of funds by the Borrower to any owner of Equity Interests (direct or indirect) of such Borrower or to Affiliates of such owner of Equity Interests;
- g. funds set aside for any of the aforesaid purposes;

(f) “**Equity**” means the total of share capital (excluding preferred shares redeemable within one year) contributed surplus and retained earnings plus postponed debt.

(g) “**Equity Interests**” means (a) in the case of any corporation, all capital stock and any securities exchangeable for or convertible into capital stock, (b) in the case of an association or business entity, any and all shares, interests, participation rights or other equivalents of corporate stock (however designated) in or to such association or entity, (c) in the case of a partnership, limited liability company or unlimited liability company, partnership or membership interests (whether general

- or limited), as applicable, and (d) any other ownership interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and including, in all of the foregoing cases described in clauses (a), (b), (c) or (d), any warrants, rights or other options to purchase or otherwise acquire any of the interests described in any of the foregoing cases;
- (h) “**Funded Debt**” means, at any time for the fiscal period then ended, all obligations for borrowed money which bears interest or to which interest is imputed plus, without duplication, all obligations for the deferred payment of the purchase of property, all capital lease obligations and all indebtedness secured by purchase money security interests, but excluding postponed debt;
- (i) “**Governmental Authority**” means the government of Canada, the United States of America or any other nation, or of any political subdivision thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, Superintendent of Financial Institutions or other comparable authority or agency;
- (j) “**Hostile Take Over Bid**” means an offer by the Borrower to acquire outstanding voting securities or equity securities of a non-affiliated corporation (the “**Target Corporation**”) where the securities subject to the offer to acquire, together with any securities of the Target Corporation already owned by the Borrower, constitute in the aggregate twenty percent (20%) or more of the outstanding securities of that class of securities at the date of the offer to acquire unless such offer by the Borrower has been approved or recommended by the board of directors of the Target Corporation;
- (k) “**Lien**” means: (i) a lien, charge, mortgage, pledge, security interest or conditional sale agreement; (ii) an assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (iii) a garnishment; (iv) any other encumbrance of any kind; and (v) any commitment or agreement to enter into or grant any of the foregoing;
- (l) “**Loan**” has the meaning ascribed thereto in Section 2.1 below;
- (m) “**Loan Documents**” means this Agreement and any other documents to be executed and/or delivered to the Lender by the Borrower or its counsel;
- (n) “**Material Adverse Change**” means any change, event, violation, circumstance which, when considered individually or when aggregated with other changes, events, violations, circumstances or effects, is or would reasonably be expected to have a Material Adverse Effect;

- (o) “**Material Adverse Effect**” means a material adverse impact on: (i) the business, property, assets, liabilities, operations, condition (financial or otherwise) or affairs of the Borrower, taken as a whole; (ii) the ability of the Borrower, taken as a whole, to perform their obligations under any of the Loan Documents; (iii) the ability of the Lender to enforce its rights and remedies under any of the Loan Documents; or (iv) the legality, validity or enforceability of any of the Loan Documents, taken as a whole
- (p) “**Material Licences**” means, collectively, licenses, permits, or approvals issued by a Governmental Authority to the Borrower or any of its subsidiaries which are material to their being able to conduct their business as presently conducted, in each case as amended, restated, replaced, supplemented or otherwise modified from time to time.
- (q) “**Maturity Date**” means May 27, 2029;
- (r) “**Permitted Distributions**” means Distributions made by the Borrower, provided that:
 - a. The Borrower is in pro-forma compliance with all financial covenants required to be maintained hereunder both immediately prior to and immediately following the making of such Distribution; and
 - b. no Event of Default exists at such time or would occur after the making of such Distribution;
- (s) “**Permitted Encumbrances**” means, with respect to the Borrower, as applicable:
 - a. any lien created by, or arising under an statute or regulation or common law (in contrast with liens voluntarily granted) in connection with, without limiting the foregoing, workers’ compensation, unemployment insurance, employers’ health tax or other social security or statutory obligations that secure amounts that are not yet due or which are being contested in good faith by proper proceedings diligently pursued and as to which adequate reserves have been established on the Borrower’s books and records and a stay of enforcement of the lien is in effect;
 - b. liens made or incurred in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the borrowing of money), leases, statutory obligations or surety and performance bonds;
 - c. any construction, workers’, materialmens’ or other like lien created by law (in contrast with liens voluntarily granted), arising in connection with construction or maintenance in the ordinary course of business, in respect of obligations which are not due or which are being contested in good faith

by proper proceedings diligently pursued and as to which adequate reserves have been established on the Borrower's books and records and a stay of enforcement of the lien is in effect;

- d. any lien for taxes not due or being contested in good faith but appropriate proceedings diligently pursued and as to which adequate reserves have been established on the Borrower's books and records and a stay of enforcement of the lien is in effect;
- e. minor imperfections in title on real property that do not materially detract from the value of the real property subject thereto and do not materially impair the Borrower's ability to carry on its business or the Lender's rights and remedies under the documents;
- f. restrictions, easements, rights-of-way, servitudes or other similar rights in land (including rights-of-way, and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved by other persons which in the aggregate do not materially impair the usefulness, in the operation of the business of the Borrower, of the real property subject to the restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons and, in each case, which do not impair the Lender's rights and remedies under the Loan Documents;
- g. the rights reserved to or vested in any person by the terms of any lease, licence, franchise, grant or permit held by the Borrower or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;
- h. the reservations, limitations, provisos and conditions, if any, expressed in any original grants from government entities;
- i. restrictive covenants affecting the use to which real property may be put, provided that the covenants are complied with and do not materially detract from the value of the real property concerned or materially impair its use in the operations of the Borrower or impair the Lender's rights and remedies under the Loan Documents;
- j. liens in favour of the Lender created by the Loan Documents;
- k. security interests securing purchase money obligations and capitalized lease obligations not exceeding \$10,000,000 in the aggregate at any time, for the Borrower on a consolidated basis, provided that the security interest charges only the asset subject of the respective purchase money obligations

and capitalized lease obligations (and the proceeds thereof) and no other asset;

- l. liens on securitized assets, including assets in process of securitization;
 - m. liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the business or the ownership of the assets of the Borrower, provided that such liens do not reduce the value of the assets of the Borrower or materially interfere with their use in the operation of the business of the Borrower;
 - n. servicing agreements, development agreements, site plan agreements, and other agreements with governmental entities pertaining to the use or development of any of the assets of the Borrower, provided same are complied with and do not reduce the value of the assets of the Borrower or materially interfere with their use in the operation of the business of the Borrower including, without limitation, any obligations to deliver letters of credit and other security as required;
 - o. applicable municipal and other governmental restrictions, including municipal by-laws and regulations, affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with and do not reduce the value of the assets of the Borrower or materially interfere with their use in the operation of the business of the Borrower;
 - p. contractual rights of set-off pursuant to contracts entered into with respect to cash consolidation, cash management and electronic fund transfer arrangements;
 - q. other specific liens listed on Schedule "A"; and
 - r. other Liens from time to time provided that the aggregate amount of indebtedness evidenced by such other Liens does not at any time exceed an aggregate amount of Five Million Dollars (\$5,000,000.00);
- (t) **"Person"** includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof including Canada Revenue Agency, and any other incorporated or unincorporated entity;
- (u) **"Potential Prior-Ranking Claims"** means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in

priority to any security or otherwise in priority to any claim by the Lender for repayment of any amounts owing under this Agreement;

(v) “**RBC Agreement**” means the second amended and restated loan agreement between the Lender, EnWin Utilities Ltd., and Royal Bank of Canada dated May 27, 2026; and

(w) “**Total Capital**” means Funded Debt plus Equity.

1.2 The following Schedules are attached to and form part of this Agreement:

Schedule “A” Permitted Encumbrances

Schedule “B” RBC Agreement

Schedule “C” Compliance Certificate

1.3 Subject to Section 1.4, in the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of a Schedule, the provisions of this Agreement shall prevail.

1.4 If there is any conflict between this Agreement and the RBC Agreement, the provision that imposes the greater restriction or obligation on the Borrower shall govern to the extent necessary to avoid a default by the Lender under the RBC Agreement.

1.5 All references in this Agreement to section numbers are references to sections of this Agreement unless otherwise stated.

ARTICLE II – LOAN

2.1 The Lender agrees to provide the Borrower with a revolving term facility of \$20,000,000.00 (the “**Loan**”) to be used by the Borrower for its operations and working capital.

2.2 The Lender and the Borrower agree that the Loan may only be used to fund the Borrower’s operations and working capital and for no other purpose.

ARTICLE III – AVAILABILITY AND REPAYMENT OF LOAN

3.1 The Borrower may borrow, convert, repay and re-borrow up to the maximum amount of this facility, provided an Event of Default shall not have occurred and be continuing at the time of any borrowing, provided however that provision of the Loan shall at all times be subject to the terms and conditions of the RBC Agreement and the Lender’s obligations thereunder.

3.2 The parties hereto agree that the Loan shall bear interest at the same rate as the set out for Facility #4 in the RBC Agreement and shall be calculated monthly based upon the

entire Loan amount, provided that where such rate changes, interest shall accrue at the applicable rate in effect from time to time, with interest accrued up to and including the day immediately preceding such change calculated at the prior rate and interest accruing from and after the effective date of such change calculated at the new rate.

- 3.3 The Loan under this facility shall be repayable in full on May 27, 2029.
- 3.4 The Borrower acknowledges and agrees that the Lender may request repayment in full of any or all amounts borrowed if Royal Bank of Canada has determined that the Lender's cash position has sufficiently changed such that the Lender is in financial hardship or market conditions have sufficiently changed such that the Lender has determined in its sole and absolute discretion that it would desire to use the funds in its own regard or for any other purpose. Repayment in full shall be due within one hundred and eighty (180) days from receipt of notice as provided by the Lender.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES

- 4.1 The Borrower hereby represents and warrants to the Lender as follows, and acknowledges and confirms that the Lender is relying on such representations and warranties in connection with the Loan:
- a. The Borrower is a corporation, duly incorporated, validly existing and in good standing under the laws of the Province of Ontario and has not been dissolved;
 - b. the execution and delivery of the Loan Documents have been duly authorized by all necessary corporate action; and
 - c. the Loan Documents have been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower by the Lender in accordance with its terms.
- 4.2 The Lender hereby represents and warrants to the Borrower as follows and acknowledges that the Borrower is relying on such representations and warranties in connection herewith:
- a. The Lender is a corporation, duly incorporated, validly existing and in good standing under the laws of the Province of Ontario and has not been dissolved; and
 - b. the execution and delivery of the Loan Documents have been duly authorized by all necessary corporate action.

ARTICLE V - COVENANTS

- 5.1 Except as otherwise stated, the Borrower covenants and agrees that for as long as the Loan or any part thereof remains outstanding, the Borrower:

- a. shall preserve and maintain its existence and its power and capacity to own or lease its property and assets and carry on its business in a commercially reasonable manner and in accordance with normal industry standards;
- b. shall pay or cause to be paid all obligations falling due hereunder on the dates and in the manner specified herein;
- c. shall maintain a ratio of Funded Debt to Total Capital of not greater than 0.6:1 to be measured quarterly on a consolidated basis;
- d. will immediately advise the Lender of any event which constitutes or which, with notice, lapse of time or both, would constitute a breach of any covenant or other term or condition of this Agreement or any Loan Document, or of an Event of Default;
- e. will file all material tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior-Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- f. shall not, without the prior written consent of Lender effect, permit, or suffer to occur any Change of Control;
- g. will immediately advise the Lender of any action requests or violation notices received concerning the Borrower and hold the Lender harmless from and against any losses, costs or expenses which the Lender may suffer or incur for any environment related liabilities existent now or in the future with respect to the Borrower;
- h. will obtain and maintain all licence, right, permit, franchise, privilege, registration, direction, decree, consent, order, permission, approval or authority to be issued or provided by any Governmental Authority which are necessary for the conduct of its respective business as presently conducted, including any Material Licenses (each, an “**Official Body Consent**”). The Borrower shall not default under or violate any Official Body Consents applicable to them and their respective property, assets and operations. For certainty, the Borrower shall maintain, in all material respects, all operations and obligations in compliance with the requirements of all applicable regulatory bodies;
- i. shall provide the Lender with at least five (5) days notice of the non-renewal of, or material amendment to, the Material Licences;
- j. will deliver to the Lender such financial and other information as the Lender may reasonably request from time to time, including, but not limited to, the reports and other information set out in Article 6;
- k. will immediately advise the Lender of any unfavourable change in its financial

position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;

- l. will insure and keep insured its properties, assets and business placed with such insurers and with such coverage (including business interruption insurance) and against such loss or damage to the full insurable value of such properties and assets without co-insurance to the extent insured against by comparable corporations engaged in comparable businesses. The Borrower shall pay or cause to be paid all premiums necessary to maintain any such insurance policies in good standing as such premiums become due and payable;
- m. except for Permitted Encumbrances, will not, without the prior written consent of the Lender, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- n. will not, without the prior written consent of the Lender, sell, transfer, convey, lease or otherwise dispose of more than ten percent (10%) of its properties or assets in any fiscal year;
- o. will not, in an aggregate amount exceeding five million dollars (\$5,000,000.00), without the prior written consent of the Lender, guarantee or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person;
- p. will not, without the prior written consent of the Lender, which consent shall not be unreasonably withheld, acquire, merge, amalgamate, reorganize or restructure or otherwise enter into any other form of business combination with any other Person unless:
 - a. such acquisition, merger, amalgamation or other business combination is of a non-regulated nature not exceeding an aggregate acquisition cost (including without limitation the purchase price and all other acquisition costs) of five million dollars (\$5,000,000.00), and following the completion of such acquisition, merger, amalgamation or other business combination, any new entity assumes obligations of the Borrower to the Lender hereunder; or
 - b. the parties to such acquisition, merger, amalgamation or other business combination are all regulated utilities, consistent with Borrower's line of business whose assets qualify for inclusion in the consolidated rate base, not exceeding an aggregate acquisition cost (including without limitation the purchase price and all other acquisition costs) of ten million dollars (\$10,000,000.00) unless otherwise consented to by the Lender in writing, and following the completion of such acquisition, merger, amalgamation or other business combination, the City of Windsor remains the controlling shareholder and any new entity assumes all obligations of the Borrower to the

Lender;

- q. will not, without the prior written consent of the Lender, make a Hostile Take Over Bid;
- r. will permit the Lender or its representatives, from time to time as reasonably required, to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information and discuss the Borrower's affairs with the auditors, counsel and other professional advisers of the Borrower;
- s. will not use the proceeds of the Loan for the benefit or on behalf of any Person other than the Borrower or any affiliated entity specifically noted herein, and will not use the proceeds of the Loan except in accordance with the use set out herein;
- t. shall cooperate fully with the Lender with respect to any proceedings before any court, board or other Governmental Authority which may in any way materially and adversely affect the rights of the Lender under this Agreement or any rights obtained by the Lender under any of the other Loan Documents;
- u. shall not amend its constating documents in any manner materially adverse to the Lender without the prior written consent of the Lender, acting reasonably;
- v. shall not, make any Distribution of any kind whatsoever, whether directly or indirectly, to any Person, other than Permitted Distributions;
- w. shall give to the Lender prompt written notice of any Material Adverse Change;
- x. shall not do, or omit to do, or permit anything that would place the Lender in default under the RBC Agreement; and
- y. shall comply with all Applicable Laws.

ARTICLE VI – REPORTING REQUIREMENTS

6.1 The Borrower will provide the following to the Lender:

- a. annually, within one hundred and twenty (120) days of the fiscal year end of the Borrower, audited consolidated financial statements of the Borrower;
- b. annually, within one hundred and twenty (120) days of the fiscal year end of the Borrower, a business plan and budget for the upcoming year for the Borrower;
- c. quarterly, within sixty (60) days of the end of each of the first three fiscal quarters of the Borrower, company prepared financial statements for the Borrower; and

- d. quarterly, within sixty (60) days of the end of the first three fiscal quarters and one hundred and twenty (120) days of the end of the fourth quarter of the Borrower, a compliance certificate in the form attached hereto as Schedule “C” for the Borrower.

ARTICLE VII – EVENTS OF DEFAULT

- 7.1 The occurrence of any one or more of the following events (each, an “**Event of Default**”) shall constitute a default under this Agreement:
 - a. default by the Borrower, in payment of money to the Lender unless such default is remedied within ten (10) Business Days of the receipt of a notice;
 - b. the Borrower becomes bankrupt or insolvent or becomes subject to the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-13 or any other Act for the benefit of creditors or the Borrower makes a general assignment for the benefit of its creditors or otherwise acknowledges insolvency;
 - c. other than an Event of Default as set out in Section 7.1(a), default in the observance or performance of any of the conditions, covenants or agreements of the Borrower hereunder if the Borrower fails to cure said default within thirty (30) days after the receipt of written notice from the Lender (or if the default cannot be reasonably cured within such thirty (30) day period such longer period as may be necessary to cure the default provided the Borrower diligently addressed such cure within such longer period required);
 - d. use of the Loan for a purpose other than that specified herein; or
 - e. a receiver, manager, agent liquidator or other similar administrator being appointed in respect of the assets of the Borrower or any part thereof or the taking by a secured party, lien claimant, or other encumbrancer, judgment creditor or a person asserting similar rights of possession of the assets of the Borrower or any part thereof.
- 7.2 Upon the occurrence of any Event of Default and for so long as the Event of Default shall continue, the Lender may by notice to the Borrower declare the Loan including any applicable interest to be immediately due and payable, without further notice and demand and any security held by the Lender, at the option of the Lender, shall become immediately enforceable. The Lender may also take such actions and commence such proceedings as may be permitted at law or in equity at such times and in such manner as the Lender in its sole discretion may consider expedient.

ARTICLE VIII – TERMINATION

- 8.1 The parties agree that in addition to any other right contained herein, the Borrower may terminate the Loan at any time upon ninety (90) days prior written notice to the Lender (the “**Termination Period**”), provided the Borrower is not in default under the

Agreement, and provided further that on or before the end of the Termination Period, the Borrower shall repay the total amount owing to the Lender under the Loan, including any and all accrued and unpaid interest up to and including the last day of the Termination Period.

- 8.2 Upon termination of the Loan by the Borrower and the complete repayment of the amount owing to the Lender under the Loan, the Borrower shall be discharged and released from its obligations under all associated Loan Documents, which shall thereafter be terminated.

ARTICLE IX – NOTICE

- 9.1 Any notice or other communication required, desired or permitted under this Agreement shall be in writing and shall be effectively given if:
- a. delivered personally (effective on the date received);
 - b. sent by prepaid courier service (effective on the date received);
 - c. sent by registered mail (effective on the date received); or
 - d. sent by electronic communication (effective on the date received, if a Business Day and prior to 4:30, failing which it shall be the next Business Day).
- 9.2 Notices shall be sent as follows:

In the case of the Lender to:
Windsor Canada Utilities Ltd.
4545 Rhodes Drive, P.O. Box 1625, Station A
Windsor, Ontario N8W 5T1
Attention: Matt Carlini, Chief Financial Officer

In the case of the Borrower to:
E.L.K. Energy Inc.
172 Forest Avenue
Essex, Ontario N8M 3E4
Attention: Matt Carlini, Chief Financial Officer

Either party may change their contact information, from time to time, by written notice given to the other party in accordance with this Article 9, and upon receipt of such notice, the party receiving such information shall thereafter rely on that contact information as if it has been inserted in Section 9.2 hereof.

ARTICLE X – GENERAL

- 10.1 In this Agreement words importing the singular number only shall include the plural and vice versa, words importing a specific gender shall include the other genders, and

references to persons shall include individuals, partnerships, trusts, associations, unincorporated organizations and corporations.

- 10.2 Each provision of this Agreement is intended to be severable. If any term or provision hereof shall be determined to be illegal or invalid for any reason, such provision shall be severed from this Agreement and shall not affect the validity of the remainder of the Agreement.
- 10.3 This Agreement constitutes the whole agreement between the Lender and the Borrower relating to the subject matter of this Agreement, and cancels and supersedes any prior agreements, undertakings, declarations, commitments and representations, written or oral, in respect thereof.
- 10.4 This Agreement may only be amended by written agreement between the Lender and the Borrower.
- 10.5 The Borrower shall promptly execute and deliver to the Lender, all such other and further documents, agreements and other instruments, and do such other and further things, as the Lender may require to give effect to this Agreement.
- 10.6 This Agreement may be executed and delivered in any number of counterparts and by DocuSign, facsimile or email, with the same effect as if all parties had signed the same document. All counterparts shall be construed together, and shall constitute one and the same Agreement.
- 10.7 This Agreement shall be binding upon and shall enure to the benefit of the Lender and the Borrower and their respective heirs, executors, successors and permitted assigns. Borrower may not assign, transfer or otherwise dispose of all or any part of its rights or obligations under this Agreement without the prior written consent of the Lender, which may be unreasonably withheld. The Lender may assign or transfer its rights and obligations under this Agreement without the Borrower's consent.
- 10.8 All amounts referred to herein are in Canadian Dollars.
- 10.9 This Agreement shall be construed, interpreted and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or relating hereto.
- 10.10 No waiver or amendment to any term or provision of this Agreement shall be valid unless in writing and signed by the party intending to waive the same.

[remainder of page left blank, signature page to follow]

[signature page]

IN WITNESS WHEREOF the parties hereto have executed this Agreement under the hands of their proper officers, duly authorized in that behalf.

E.L.K. ENERGY INC.

Signed by:

Matt Carlini

D6777195B9874F8...

Matthew Carlini

Chief Financial Officer

DocuSigned by:

Garry Rossi

A5E756E50235431...

Garry Rossie

President and Chief Executive Officer

We have the authority to bind the corporation

WINDSOR CANADA UTILITIES LTD.

Signed by:

Matt Carlini

D6777195B9874F8...

Name: Matthew Carlini

Title: Chief Financial Officer

DocuSigned by:

Garry Rossi

A5E756E50235431...

Name: Garry Rossi

Title: President and Chief Executive Officer

We have the authority to bind the corporation

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SCHEDULE "A"
PERMITTED ENCUMBRANCES

None.

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**SCHEDULE “B”
RBC AGREEMENT**

See attached.

SCHEDULE "C" COMPLIANCE CERTIFICATE

I, _____, an officer of the Borrower hereby certify as of _____ [insert last day of fiscal quarter]:

1. I am familiar with and have examined the provisions of the loan agreement dated _____, 2026 and any amendments thereto, between Windsor Canada Utilities Ltd. as Lender, and E.L.K. Energy Inc. as the Borrower (the "**Agreement**"), and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower. Terms defined in the Agreement have the same meanings where used in this certificate.
2. The representations and warranties contained in the Agreement are true and correct. (*note: revise and provide details if untrue*)
3. No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a Default or an Event of Default or breach of any covenant or other term or condition of this Agreement and there is no reason to believe that during the next fiscal quarter of the Borrower, any such event or circumstance will occur. (*note: revise and provide details if untrue*)
4. There has been no Material Adverse Change. (*note: revise and provide details if untrue*)
5. The Funded Debt to Total Capital of the Borrower for the fiscal quarter/period ending _____ is _____, being not greater than 0.6:1.

The detailed calculations of the foregoing ratios and covenants is/are set forth in the addendum annexed hereto and are true and correct in all respects.

6. The undersigned, a senior officer of each Borrower, hereby certifies on behalf of the Borrower and without personal liability as follows:
 - (a) the foregoing information and all information contained in the attachments hereto was true, correct and complete as at the end of the **[Fiscal Quarter/Fiscal Year]**; and
 - (b) the Borrower is in compliance with all covenants contained in the Agreement;

*Provide details if the Borrower cannot certify any of the items in question 9 as true:_____.

Dated this _____ day of _____, 20_____.

E.L.K. ENERGY INC.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____