



Union Water Supply System Inc.

Finance & Audit Committee Meeting

**Wednesday, August 14th, 2024
8:30 am**

Kingsville Arena, 1741 Jasperson

AGENDA

- A. Call to Order by Committee Chair:
- B. Welcoming Remarks
- C. Previous Meeting Recap - Minutes of July 17, 2024
- D. Financial Reports
 - 1. UWSS Inc. Cash/Reserves Review - Verbal Discussion
 - i. Banking/ Accounts/ Interest Rates
 - ii. Investments
- E. Debt
 - 1. Proposed WFCU Credit Facilities Review
 - a. Commitment Letter with Schedules
Pages 5 - 17
 - b. Common Terms and Intercreditor Agreement
Pages 18 - 35
- F. Comments, Announcements, and Other Business:
- G. Adjournment:
- H. Date of Next Meeting: Thursday, September 5th, 2024 at the Ruthven Water Treatment Plant



**UWSS Inc.
Finance & Audit
Committee
Meeting**

Wednesday, July 17, 2024
10:25 am
Kingsville Arena, 1741 Jasperson

MINUTES

Directors Dennis Rogers
 Mike St. Amant
 Lori Atkinson
 Tom Kissner
 Wayne Wharram

Also in Attendance: Rodney Bouchard, UWSS Inc. Chief Executive Officer
For UWSS Khristine Johnson, UWSS Inc. Office Administrator (Recording Secretary)

Guest William Willis, Willis Business Law - UWSS Legal Counsel
 Sabrina Nazzani, CPA, CA Capital Assist Valuation

Call to Order: 10:25 am

Welcoming Remarks:

Chair Rogers calls the meeting to order.

Previous Meeting Recap

Chair Rogers reviews the previous meeting discussions. It is noted that the recording secretary should take more official minutes and going forward these will be presented to this group and brought to the Board of Directors meeting.

Business to Discuss

Chair Rogers starts the discussion with the open format regarding lending and borrowing money for UWSS Inc. Ms. Nazzani indicates that there is a draft commitment letter from the lending financial institution but not a formal agreement. There is a brief discussion on the Facility #1 and #2 and how that will be rolled into the final Facility #3. She indicates that working reserves should remain as they are, and new capital should be outside of the current reserves. All of this will be monitored.

Director St. Amant asks for clarification regarding the Financial Covenants of the commitment letter. Ms. Nazzani provides an explanation and there should be a bit of cleaning up of the language prior to the agreement.

Director Atkinson asks for clarification as to why the financial institution requires a letter of credit for the pension service for the UWSS Inc. employees. The CEO explains that this was a requirement for the pension services with a minimum of \$1.5 million in credit.

There is then a discussion on the capital reserves, the debt service ratio and the rate structure. The CEO notes that PwC has already built the potential loans (for capital works) into the water rates going forward, so there is no rate shock to the community.

It is then noted that UWSS Inc. should take advantage of “prepayment” option, if possible, to pay down any capital loan as quickly as possible.

Chair Rogers then ask the members what financial items they consider important to discuss on this committee. Director St. Amant wants to know what type of interest rate UWSS Inc. is earning at the bank. The CEO notes that currently the rate is very low, however, the financial institution assures him that they are in the middle of review and the new rates should be on par with local rates and will be back dated. There will be an update on this shortly.

The CEO explains that he has shared the old investment policy with this group, but clearly this needs to be reviewed and updated and he hopes this committee will work on this item.

Chair Rogers suggests that eventually this committee will meet quarterly. The next meeting is scheduled for September 5th at 9 am at the Ruthven Water Treatment Plant. The CEO is to reach out to the municipalities to determine if any or all would like to send a representative to participate in this meeting.

Director Wharram would like to see financial statements and updated balance sheet presented. Director Kissner agrees and would like to see actual budget performance. The CEO notes that the municipalities do the billing on our behalf, and we do not have actuals until they report on water loss. We may eventually get to quarterly reporting on this. There is a discussion on when and how the flow numbers will be trued up for financial reporting. The CEO notes that this will most likely not be until February 2025.

Director Wharram then asks the CEO what he expects from this committee. The CEO explains that he is looking for guidance on items such as reaching out to Investment Ontario, Canada Infrastructure Bank, any opportunities that perhaps the CEO might not be aware of, and assistance with investment policies.

The CEO receives direction to amend the agenda to provide space for the CFO to provide a report, if necessary. There is also a discussion regarding timing of the yearly financial statements. The CEO notes that the 2023 UWSS Financial Statements are in draft form, but have not been signed off on, he expects this shortly.

No. **Fin & Audit-01-24**

Moved by: **Director Atkinson**

Seconded by: **Director Wharram**

The Finance & Audit Committee receives the commitment letter from the financial institution for financing for UWSS Inc.;

And that, the Finance & Audit Committee provides direction to administration to make changes to the commitment letter in anticipation of this becoming an agreement. The CEO will report back to committee members.

Carried

Adjournment:

Moved by: **Director St. Amant**

Seconded by: **Director Atkinson**

Time adjourned: **11:29 am**

Date of Next Meeting: August 14th, 2024, Kingsville Arena - 8:30 am.

/kmj

July 17, 2024

Union Water Supply System Inc. ('UWSS' or the 'Borrower')

1615 Union Avenue, Box 340
Ruthven, Ontario
N0P 2G0

Attention: Rodney Bouchard, Chief Executive Officer

Dear Mr. Bouchard,

We are pleased to confirm that Windsor Family Credit Union Limited has authorized the following credit facilities (the "**Credit Facilities**") for UWSS subject to the terms and conditions set out below:

Facility #1 - Letter of Credit

Purpose: Letter of credit to match employee contributions made during each year.
Beneficiary to be OMERS Pension Plan.

Amount: Total **\$30,000.00. CAD.**

Interest Rate 1.50% per annum.

Term: Expiry date: January 1, 2025. Subject to annual auto renewal.

Repayment: On demand.

Facility #2: Project - CAPEX Demand Loan / Operating Line

Purpose: To finance related CAPEX needs for the Water Reservoir Project, Dissolved Air Floatation #2 retrofit, and the High Lift Station Pump upgrades, and for other capital equipment needs.

Amount: Up to **\$60,000,000.00 CAD.**

Interest Rate: WFCU's Prime Interest Rate minus 1.00% per annum (P – 1.00%), accrued daily, calculated and paid monthly in arrears on the last day of each and every month.

"Prime Interest Rate" shall mean the annual rate of interest which WFCU establishes as the reference rate of interest to determine interest rates it will charge at such time for demand loans in Canadian dollars and which it refers to as its special rate of interest, such rate to be adjusted automatically and without the necessity of any

notice to the Borrower upon each change to such rate. Present day prime rate is 6.95%. (Minimum floor rate of 3.00%).

Drawdown: Multiple draws as needed, minimum draw amounts of \$250,000. Written draw requests supported by an engineers' certificate with indication of costs to date and to cost to complete as per approved budget.

Repayment: Interest only payments accrued daily, calculated and paid monthly in arrears on the last day of each and every month.

Prepayment: Open to repayment partially at any time from cash flow surplus' or in full by WFCU take-out facility #3 at the conclusion of the project / financing needs.

Facility #3: Long-term Take-out Loan

Purpose: To take-out facility #2 and provide long term debt financing.

Amount: Up to **\$60,000,000** CAD.

Amortization: Up to 25 years.

Repayment: To be repaid from project funding received from cash flow from operations.

Rate Term: 5-year fixed rate

Interest Rate: At the time of take-out, estimated to commence no earlier than mid-2025, the average of:

Fixed rate equivalent set to the prevailing Prime rate – 1.20%

And/

Fixed rate equivalent set to the prevailing 5-year Government of Canada Bond Yield + 1.80%.

(Minimum floor rate of 3.00%)

Repayment: In blended monthly payments of principal and interest in the amount sufficient to repay the loan within the specified amortization.

Prepayment: **20% of the original principal amount**, on each anniversary date during the interest rate term; amount is non-cumulative; otherwise no other prepayment provisions are allowed until the interest rate term of the loan has matured. Borrower may prepay at any time, the whole of the principal amount then outstanding, subject to payment of the greater of:

- (i) three (3) months interest on the interest rate chargeable hereunder, upon the principal amount prepaid; or

- (ii) the amount, if any, by which interest at the interest rate chargeable under this credit exceeds interest at the prevailing rate as defined below calculated on the principal amount prepaid, for a term commencing on the date of prepayment and expiring on the balance due date.

The "prevailing rate" at the time of prepayment means the rate at which WFCU would then lend to the Borrower, for a term commencing on the date of prepaying and expiring on the balance due date. Provided that in the calculation of the principal amount prepaid under either subsection (i) or (ii) above, no reduction shall be made for any prepayments to which the Borrower was entitled but which were not exercised by payment by the Borrower prior to prepayment.

Security to be Provided:

- 1) Promissory Note(s) in the Borrower's name as required.
- 2) Promissory Note in the amount up to \$60,000,000 at a fixed rate (To be determined) with monthly blended payments of (TBD at drawdown).
- 3) Certified copy of UWSS' By-Law or approval with respect to the borrowing of money for the capital expenditures.
- 4) Executed copy of the Common Terms Intercreditor Agreement (CTIA).
- 5) Any other documentation or agreements that may be necessary as directed by WFCU appointed legal counsel.

Security Held:

1. Indemnity Agreement in favour of OMERS Administration Corporation in the amount of \$30,000.00.

Conditions Precedent to Draw Down

- 1) Satisfactory completion of all security documentation and security to be in order.
- 2) Review of security and related loan documents from a law firm approved by WFCU.
- 3) All principals to provide one piece of Government issued photo ID from Category A. If unable to provide one piece from Category A, then two pieces from Category B are required. **(ON FILE)**
Category A: Canadian Passport, Driver's License, ON Photo Card, Nexus, Permanent Residency Card, Secure Certificate of Indian Status
Category B: Birth Certificate, Citizenship Card (issued prior to 2012), Driver's License (issued by Country other than Canada), Passport (issued by Country other than Canada)
- 4) Satisfactory copy of the Articles of Incorporation of the Borrower to be provided to Windsor Family Credit Union together with shareholder, officer and director registers. **(ON FILE)**

- 5) Satisfactory review of accountant prepared Audited financial statements for the last three (3) fiscal years of operations for Union Water Supply System (an affiliate of the Borrower).
- 6) Satisfactory review of the most recent internally prepared interim financial statements for the Borrower, future projections and debt service measures.
- 7) Satisfactory review of the construction contract with Alberici Constructors for the new water reservoir project.
- 8) Copy of any agreements between Borrower and its shareholders/municipalities, i.e. Water Services Agreement.
- 9) The Borrower is to provide a detailed cost budget of the CAPEX contemplated as part of this financing request. Any other information requested as it pertains to the construction / project will be supplied upon request.

General Conditions/Covenants

Until all debts and liabilities due and owing under the Credit Facilities have been discharged in full and the commitment to provide the Credit Facilities has been withdrawn by WFCU, the following terms and conditions, together with all terms and conditions contained in Schedules A, B, and C attached hereto, will apply in respect of the Credit Facilities:

Financial Covenants

- 1) The Borrower to is to maintain a Debt Service Coverage Ratio (as defined in the executed copy of the Common Terms Intercreditor Agreement) of no less than 1.10x (Tested Annually). **Testing to begin FYE 2026.**

Reporting Covenants

- 2) The Borrower to provide WFCU with accountant prepared Audited financial statements within 180 days of each fiscal year end date, together with a compliance certificate confirming the financial covenants.
- 3) The Borrower to provide WFCU with an approved annual operating and capital budget no later than 180 days after approval from the Board of Directors.
- 4) WFCU reserves the right to request interim and all other relevant financial or operating information for the Borrower at its sole discretion.

Positive & Negative Covenants

- 5) The Borrower covenants to perform and observe all terms, conditions, representations and covenants contained in any of the agreements referred to in the commitment letter, if issued, as such agreements may be amended from time to time.

- 6) The Borrower will ensure that all of the remittances required to be made by the Borrower to the Federal, Provincial and Municipal Governments have been made, will be kept up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including Income Taxes, Employment Insurance and Canada Pension Plan), sales taxes (both Provincial and Federal), corporate income taxes, payroll taxes and Workmen's Compensation dues will be paid and kept up to date.
- 7) The Borrower is to maintain membership with WFCU in good standing at all times while any portion of the Credit Facilities remain outstanding or committed.
- 8) The Borrower is to maintain a valid by-law or approval authorizing UWSS to incur the indebtedness under this agreement and future indebtedness.
- 9) Except Permitted Encumbrances as set out in the executed copy of the Common Terms Intercreditor Agreement, the Borrower shall not encumber, offer any security in favour of another lender, any and all ranking shall be unsecured on a pari passu basis.
- 10) The Borrower will not amend the Water Services Agreement (WSA) without the prior written consent of WFCU; provided WFCU agrees not to unreasonably withhold, condition or delay its consent to amend the WSA.

Annual Review

The credit facilities are subject to annual review.

Credit Reporting

The Borrower consents to WFCU obtaining from any credit reporting agency or from any person such information as WFCU may require at any time, and consents to the disclosure at any time of any information concerning the Borrower to any credit grantor with whom the Borrower has financial relations or to any direct reporting agency.

Schedules

The following schedules are attached to this Commitment Letter and by this reference are incorporated herein:

- (A) Schedule A – Representations and Warranties
- (B) Schedule B – Terms and Conditions – General
- (C) Schedule C – Events of Default and Remedies

The Borrower agrees to be bound by all terms and conditions contained in any of the Schedules.

Fees

The following fees for this facility have been waived:

- Application Fee - **Nil**
- Annual Review Fee – **Nil**

If in the opinion of WFCU a material adverse change in risk occurs, including any material adverse change in the financial condition of the Borrower, any obligation to advance the above facility may be withdrawn or

cancelled.

On this understanding, we request your acceptance of the foregoing by signing and returning the enclosed copy of this letter by **August 30, 2024**, after which time should this offer not be accepted, it will be considered null and void. We thank you for your interest in WFCU and look forward to providing you with a full range of products and services.

Kind regards,

JASON S. ILIJANIC
Director, Commercial Services
Windsor Family Credit Union Limited

Acknowledged and accepted by:

Union Water Supply System Inc. ('UWSS')

Authorized Signors

PER: _____

NAME: Rodney Bouchard, Chief Executive Officer

Date

PER: _____

NAME: Hilda MacDonald, Chairperson

Date

SCHEDULE A REPRESENTATIONS AND WARRANTIES

The Borrower and any Guarantor make the following representations and warranties, acknowledging that the Lender has relied on each such representation and warranty in entering into the commitment letter:

1. AUTHORIZATION, GOVERNMENTAL APPROVALS, ETC.: The execution and delivery of each of the Security Documents by the Borrower or any Guarantor or any of their subsidiaries and the performance by each of the Borrower or any Guarantor or any of their subsidiaries which are a party hereto or thereto of their obligations hereunder and thereunder have been duly authorized by all necessary corporate action and no authorization, consent, approval, license or exemption under any applicable law, rule or regulation having the force of law, and no registration, qualification, designation, declaration or filing with any official body, is or was necessary therefor or to perfect the same, except as are in full force and effect, unamended, at the date hereof.

Borrower or any Guarantor or any of their subsidiaries; or
2. CONFLICT WITH OTHER INSTRUMENTS: Neither the execution and delivery by the Borrower or any Guarantor or their subsidiaries of any of the Security Documents nor the performance by the Borrower or any Guarantor or their subsidiaries of their obligations thereunder, nor compliance with the terms, conditions and provisions thereof will:
 - (a) conflict with or result in a breach of any of the terms, conditions or provisions of:
 - i. the charter documents or by-laws of the Borrower or any Guarantor or any of their subsidiaries; or
 - ii. any law, rule or regulation having the force of law; or
 - iii. any contractual restriction binding on or affecting the Borrower or any Guarantor or any of their subsidiaries or their properties; or
 - iv. any judgment, injunction, determination or award which is binding on the Borrower or any Guarantor or any of their subsidiaries; or
 - (b) result in, or require or permit:
 - i. the imposition of any security interest in or with respect to the properties now owned or hereafter acquired by the Borrower or any Guarantor or any of their subsidiaries; or
 - ii. the acceleration of the maturity of any debt of the Borrower or any Guarantor or any of their subsidiaries, under any contractual provision binding on or affecting the
3. iii. Any third party to terminate or acquire rights under any contract.
3. CONSENTS. No consent, approval, order, authorization or designation of any governmental authority is required in connection with the execution, delivery and performance by the Borrower or any Guarantor or any of their subsidiaries of the commitment letter or any of the Security Documents.
4. CORPORATE POWER: The Borrower and any Guarantor and their subsidiaries have full corporate right, power and authority to enter into and perform their obligations under each of the loan documents to which they are or will be a party and have full corporate power and authority to own and operate their properties and to carry on their business as now conducted and as presently proposed to be conducted.
5. EXECUTION AND BINDING OBLIGATION: The commitment letter has been duly executed and delivered by the Borrower and any Guarantor, and the commitment letter constitutes, and the other Security Documents when duly executed by the Borrower or any Guarantor or any of their subsidiaries which are party hereto pursuant to and in accordance with the commitment letter and delivered for value will constitute, legal, valid and binding obligations of each of the Borrower or any Guarantor or any of their subsidiaries enforceable against them in accordance with their respective terms, subject only to:
 - (a) the effect of any applicable bankruptcy (other than fraudulent preference provisions) insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally;
 - (b) the discretion that a court of competent jurisdiction may exercise in the granting of equitable remedies; and
 - (c) any legal limitation on the effectiveness of terms exculpating a party from a liability or duty otherwise owed by them to another party.
6. FINANCIAL STATEMENTS. Each of the balance sheet of the Borrower and any Guarantor and their subsidiaries and the related statements of earnings, retained earnings and changes in financial position of the Borrower and any Guarantor and their subsidiaries for the most recent twelve (12) month period, a copy

of which has been furnished to the Lender, fairly and accurately present the financial position of the Borrower and any Guarantor and their subsidiaries as at such dates and the results of the operations and changes in financial position of the Borrower and any Guarantor and their subsidiaries for such period, all in accordance with International Financial Reporting Standards. Since the most recent fiscal year end date, there has been no material adverse change in the financial position or operations of the Borrower and any Guarantor and their subsidiaries.

7. NO DEFAULT. Neither the Borrower nor any Guarantor nor any of their subsidiaries are in violation of their constating documents or by-laws.
8. NO VIOLATION OF AGREEMENTS. None of the Borrower or any Guarantor or any of their subsidiaries are in default under any indenture, security interests, mortgage, charge deed of trust, agreement or other instrument to which they are a party or by which they or any of their property may be bound.
9. ORGANIZATION AND QUALIFICATION: The Borrower and any Guarantor and their subsidiaries are a corporation duly incorporated or amalgamated and organized, validly existing and in good standing under their jurisdiction of incorporation and each is duly qualified to carry on their business under the laws applicable to them in each jurisdiction where they carry on business. No authorization, consent, approval, license or exemption under any law applicable to foreign corporations is required by the Borrower or any Guarantor to enter into and perform their obligations under the loan or Security Documents.
10. OWNERSHIP OF PROPERTY. Each of the Borrower and any Guarantor and their subsidiaries own their property and assets with a good and marketable title thereto, free and clear of all liens, mortgages, charges, security interests, adverse claims and other encumbrances except for the Permitted Encumbrances.
11. PERMITS, ETC. The Borrower and any Guarantor and each of their subsidiaries possess all material licenses, approvals and consents of federal, provincial and municipal governments and regulatory authorities and licensors as required to conduct properly their respective businesses except to the extent that the failure to obtain any such rights, licenses, approvals or consents would not have a material adverse effect on the business or condition, financial or otherwise, of the Borrower or any Guarantor or any such subsidiary, as the case may be.
12. TRADEMARKS, PATENTS, ETC. The Borrower and any Guarantor and each of their subsidiaries possess all the trademarks, trade names, copyrights, patents, licenses, or rights in any thereof, adequate for the conduct of their respective businesses as now

conducted and presently proposed to be conducted, without material conflict with the rights or claimed rights of others.

13. The Borrower and any Guarantor shall indemnify and save harmless the Lender from and against all liabilities, claims, damages, losses and expenses including professional and consultants' fees incurred or suffered by the Lender arising in any manner whatsoever out of the breach of any warranty or the inaccuracy of any representation of the Borrower and any Guarantor contained herein or referred to in the commitment letter.
14. If the Borrower or any Guarantor are not a corporation, only those representations and warranties contained herein applicable to an individual shall apply.

ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES

15. None of the Borrower or any Guarantor or any of their subsidiaries have any knowledge of any claim, received any notice of any claim, nor has any proceeding been instituted raising any claim, against the Borrower or any Guarantor or any Real Property, alleging any damage to the environment or violation of any other federal, provincial or municipal laws, by-laws, regulations, directives and/or guidelines relating in any way to the protection of the environment (collectively, the "**Environmental Laws**").
16. None of the Borrower or any Guarantor or any of their subsidiaries have knowledge of any facts which would give rise to any claim, public or private, of violation of the Environmental Laws by the Borrower or any Guarantor or any of their subsidiaries, or violation of the Environmental Laws or damage to the environment emanating from, occurring on or in any way related to the Real Property or their use.
17. That to the best of their knowledge and belief, the Real Property has not been insulated with Urea Formaldehyde Foam Insulation, and no asbestos, PCBs or other toxic or dangerous substances have been used in the construction of the Real Property and the Real Property has never been used for the storage or disposal of any hazardous wastes, industrial wastes, PCBs or other dangerous or regulated materials and has not been used as a dump site.
18. Except with respect to the non-compliance noted by the Ministry of the Environment, Conservation and Parks ("**MECP**") in its March 2024 report on its inspection of the Borrower's facilities, being the process wastewater discharge monitoring program and discharge quality not complying with requirements established in the Municipal Drinking Water Licence issued under Part V of the *Safe Drinking Water Act, 2002* (Ontario), which the Borrower is currently in the process of remediating, the Borrower and any

Guarantor conduct their businesses and maintain their assets in compliance with all applicable Environmental Laws and no enforcement action in respect of the Borrower's or any Guarantor's business or assets is threatened or pending. The Borrower agrees to provide the Lender with annual updates on the progress of the remedy of the non-compliance, and further agrees that a full resolution to the non-compliance shall be achieved by no later than two years from the date of the commitment letter, or such longer period as may be necessary provided the Borrower is diligently pursuing compliance.

SCHEDULE B

TERMS AND CONDITIONS – GENERAL

1. **ADDITIONAL DEBT:** Except for additional debt proceeds used in accordance with the uses permitted by Section 8 of the Common Terms and Intercreditor Agreement, the Borrower undertakes not to incur any additional debt without the prior written consent of the Lender, such consent not to be unreasonably withheld.
2. **ADDITIONAL FEES:** In the event that the Borrower requests that the Lender provide its consent or approval to any additions and/or amendments to the terms and conditions of the commitment letter, which consent or approval may be exercised in the Lender's sole discretion, then the Borrower acknowledges that the Lender may charge a reasonable additional fee for said request for consent or approval, in addition to any and all fees paid or payable by the Borrower as provided for herein.
3. **ASSIGNMENT/NON-ASSIGNMENT:** The commitment letter may be assigned by the Lender, as determined, in its sole discretion. The commitment letter is not assignable by the Borrower without the Lender's prior written consent.
4. **ENVIRONMENTAL REPORT:** The Lender is to receive an environmental assessment report of any Real Property addressed to and in form satisfactory to the Lender in its sole discretion. If the Borrower is able to provide the Lender with a history of the Real Property confirming that neither it nor any adjacent properties have been used in applications that may have rendered them susceptible to environmental contamination, then this condition may be waived by the Lender, in its sole discretion.
5. **DIVIDENDS/WITHDRAWALS:** The Borrower undertakes not to pay any dividends, or allow any capital withdrawal from the corporation without the prior written consent of the Lender, such consent not to be unreasonably withheld.
6. **ENTIRE AGREEMENT:** The commitment letter, together with any other document, schedules, instrument, or agreement entered into between Lender and the Borrower with respect to the subject matter contained therein constitutes the entire understanding amongst the parties. The commitment letter supersedes any and all prior oral or written agreements relating to the subject matter thereof. Any provision of the commitment letter may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the party asserted to be bound thereby, and then such amendment or waiver shall be effective only in the specific instance and specific purpose for which given.
7. **ENUREMENT:** The parties hereto agree that the commitment letter shall enure to the benefit of and be binding upon the parties respective executors, heirs, successors and permitted assigns.
8. **GOVERNMENT REMITTANCES:** The Borrower will ensure that all remittances required to be made by the Borrower to the Federal, Provincial and Municipal governments have been made, will be kept up-to-date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including Income Taxes, Employment Insurance and the Canada Pension Plan), sales taxes (both Provincial and Federal), corporate income taxes, payroll taxes and Workmen's Compensation dues, will be paid and kept up to date.
9. **IMPROVEMENTS TO THE REAL PROPERTY:** If, as and when the Borrower makes any improvements, substantial renovations, repairs and/or replacements to the Real Property, and upon the Lender's written request, it undertakes to provide the Lender with particulars of the nature of the improvements and confirmation of payment of any invoices relating to the improvements within thirty (30) days.
10. **INSPECTIONS:** The Borrower will, upon reasonable written notice, permit the Lender and persons authorized by the Lender, accompanied by a designated representative of the Borrower, at all reasonable times to inspect the Real Property.
11. **INSURANCE CONSULTANT:** The Borrower acknowledges and agrees that the Lender, in its sole discretion, may engage the services of a professional insurance consultant (the "**Insurance Consultant**") to review the Borrower's insurance policy/ies to determine whether adequate insurance coverage is in place. Where recommended by the Insurance Consultant, the Borrower shall obtain additional insurance coverage at its expense and provide satisfactory evidence of same. The cost of such review will be borne by the Borrower and will be paid prior to the closing of the Credit Facilities.
12. **INSURANCE COVERAGE:** Prior to closing of the Credit Facilities, the Borrower is to provide the Lender with evidence of adequate commercial general liability (minimum \$2 million), business interruption and property insurance, together with any other additional coverages as may be deemed appropriate by the Lender and/or Insurance Consultant, acknowledging the Lender as first mortgagee and loss payee. Said insurance coverage is to be maintained at all times and the Borrower acknowledges and agrees that should it fail to do so; the Lender is entitled (but not obligated) to arrange for adequate coverage at the Borrower's expense.
13. **LEASES:** The Borrower is to provide the Lender, upon the Lender's written request, with current, executed copies of all leases, if any.
14. **LEGAL FEES:** The Borrower shall pay all reasonable legal fees and disbursements in respect of the Credit Facilities, the preparation, issue and registration of the Security Documents, the enforcement and preservation of the Lender's rights and remedies, and all reasonable costs relating to the appraisals, insurance consultation, credit reporting and responding to demands of any government or any agency or department thereof, whether or not the documentation is completed or any funds are advanced under the Credit Facilities.
15. **MEMBERSHIP REQUIREMENTS:** The Borrower is to establish and maintain membership with Windsor Family Credit Union in good standing at all times while any portion of the Credit Facilities remain outstanding or committed.
16. **NO DEFAULT BY BORROWER:** The Borrower is not in default of any of the terms, conditions, covenants, representations, warranties or events of default contained in the commitment letter or any of the Schedules of Terms and Conditions attached thereto.
17. **NO JUDGEMENT, INJUNCTION, ETC.:** There shall not exist any judgment, order, injunction or other restraint prohibiting or imposing materially adverse conditions upon the consummation of the transaction.
18. **NO MATERIAL CHANGES:** No material adverse change in, or development likely to have a material adverse effect on the condition (financial or otherwise) of the operation, business, properties, prospects or capitalization of the Borrower shall have occurred since the date of the commitment letter.
19. **OBSERVANCE OF CONDITIONS, ETC.:** The Borrower is to perform and observe all terms, conditions, representations and covenants contained herein, attached to the commitment letter as schedules and contained in any of the agreements referred to in the commitment letter, as such agreements may be amended from time to time.
20. **OPINIONS AND CERTIFICATES:** Prior to closing of the Credit Facilities, the Lender is to receive clear Execution and Tax Certificates together with satisfactory title, off title and corporate opinions confirming the validity, priority and enforceability of the Security Documents.
21. **OWNERSHIP/MANAGEMENT STRUCTURE:** The Borrower undertakes not to sell or transfer a material portion of its assets or amend its ownership structure without the prior written consent of the Lender,

such consent not to be reasonably withheld. Non-compliance with this condition will be an event of default and will cause all monies owing to the Lender to become due and payable at the Lender's option.

22. **PAYMENT OF PROPERTY TAXES:** Prior to closing, the Borrower is to provide satisfactory confirmation that realty taxes are paid and current on the Real Property. Within ninety (90) days of each calendar year end, the Borrower is to provide confirmation that all realty taxes in respect of the Real Property have been paid.
23. **PERMITS, ETC.:** Satisfactory evidence that the Borrower has obtained all applicable permits/certificates and is in compliance with all relevant legal and zoning by-law requirements and any other regulatory requirements.
24. **REPRESENTATIONS AND WARRANTIES:** The Representations and Warranties contained in Schedule A attached to the commitment letter continue to remain true and accurate as at the date of funding, and there has been no change in circumstance in connection with any of the Representations and Warranties made therein.
25. **SALE/TRANSFER:** The Borrower shall not sell or transfer a material portion of the Real Property, or further encumber the Real Property, except for the Permitted Encumbrances under the Common Terms and Intercreditor Agreement, without the Lender's prior written consent. If the Borrower does so, then at the Lender's option, the Borrower will immediately pay to the Lender all outstanding indebtedness under the commitment letter.
26. **SECURITY DOCUMENTS:** The Lender having received all the Security Documents provided for in the commitment letter duly authorized, executed and delivered and registered or recorded whenever required by law.
27. **SEVERABILITY:** If any provision of the commitment letter or any of schedules attached thereto is held to any extent invalid or unenforceable, the remainder of the commitment letter, other than the provision which is held invalid or unenforceable, shall not be affected.
28. **SHAREHOLDERS:** The Lender is to receive particulars of each of the shareholders of the Borrower, including percentage ownership held.
29. **SURVEY:** Upon the Lender's written request, the Borrower is to provide the Lender with, if in its possession or control, a complete copy of a building location survey of the applicable Real Property.
30. **TIME OF ESSENCE:** In all respects time shall be and remain of the essence.
31. **TITLE TO ASSETS:** The Borrower has good and marketable title to the Real Property and its assets, subject only to the Permitted Encumbrances.
32. **UPDATED SEARCHES:** The Lender shall be entitled to obtain sub-searches, tax certificates, and sheriff's certificates as to executions on record in respect of the Borrower and any Guarantor, and conduct PPSA searches, as applicable, at the discretion of the Lender, with all costs to be borne by the Borrower.
33. **WAIVER:** Any waiver by the Lender of any default by the Borrower and/or any Guarantor or any omission on the Lender's part in respect of any default by the Borrower and/or any Guarantor shall not extend to or be taken in any manner whatever to affect any subsequent default by the Borrower and/or any Guarantor or the rights resulting therefrom. Failure by the Lender to require performance of any term, covenant or condition contained in the commitment letter or any of the schedules attached thereto or in any of the Security Documents shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or of any other term, covenant or condition contained in the commitment letter or any of the schedules attached thereto or in any of the Security Documents. Failure by the Lender to exercise any of their rights, powers or remedies hereunder or their delay to do so shall not

constitute a waiver of those rights, powers or remedies. The single or partial exercise of a right, power or remedy shall not prevent its subsequent exercise or the exercise of any other right, power or remedy. The Lender may waive any condition precedent to funding but the waiver shall not prejudice any subsequent enforcement of the condition.

ENVIRONMENTAL TERMS AND CONDITIONS

34. The Borrower and/or Guarantor agree to observe and conform to all laws and requirements of any federal, provincial, or any other governmental authority relating to the environment and the operation of the business activities of the Borrower and/or Guarantor.
35. The Borrower and/or Guarantor agree, upon reasonable written notice, to allow the Lender, accompanied by a designated representative of the Borrower, access at all times to their business premises to monitor and inspect all Real Property and business activities and the Borrower shall conduct environmental remedial actions as necessary and as required by applicable laws, at its sole expense, and report any such remedial actions to the Lender within a reasonable time period thereafter.
36. The Borrower and/or Guarantor agree to pay all reasonable expenses of any environmental investigations or assessments that may be reasonably required by the Lender from time to time.
37. The Borrower and/or Guarantor agree to, upon the Lender's written request, notify the Lender from time to time of any business activity conducted by them which involves the use or handling of hazardous materials or wastes or which increases the environmental liability of the Borrower and/or Guarantor in any material manner.
38. The Borrower and/or Guarantor agree to notify the Lender of any proposed material change in the use or occupation of the Real Property of the Borrower and/or Guarantor prior to any such change occurring.
39. The Borrower and/or Guarantor agree to provide the Lender with immediate written notice of any environmental problem and any hazardous materials or substances which have an adverse effect on the Real Property, equipment, or business activities of the Borrower and/or Guarantor and with any other environmental information requested by the Lender from time to time.
40. If the Borrower and/or Guarantor notify the Lender of any specified activity or change or provides the Lender with any information pursuant to subsections 37, 38, or 39 noted above, or if the Lender receives any environmental information from other sources, the Lender, in its sole discretion, may decide that an adverse change in the environmental condition of the Borrower and/or Guarantor has occurred which decision will constitute, in the absence of manifest error, conclusive evidence of the adverse change. Following this decision being made by the Lender, the Lender shall notify the Borrower and/or Guarantor of the Lender's decision concerning the adverse change.
41. If the Lender decides or is required to incur reasonable expenses in compliance or to verify the Borrower's and/or Guarantor's compliance with applicable environmental or other regulations, the Borrower and/or Guarantor shall indemnify the Lender in respect of such reasonable expenses, which will constitute further advances by the Lender to the Borrower under the commitment letter.

SCHEDULE C

EVENTS OF DEFAULT and REMEDIES

The obligations of the Borrower hereunder shall become immediately payable if, without limitation, any one or more of the following events of default shall have occurred for any reason whatsoever:

1. If default shall be made in the due and punctual payment to the Lender of any (i) principal and such default shall have continued for a period of five (5) days after written notice of such default from the Lender, or (ii) any payment of interest therein and such default shall have continued for a period of thirty (30) days after written notice of such default from the Lender; or
2. The occurrence of an event of default under the Borrower's or any Guarantor's credit facilities or financing with any other lender or party advancing funds to the Borrower or any Guarantor.
3. If any representation, warranty or statement of fact of the Borrower or any Guarantor customarily found in the Lender's Security Documents or contained in any of the schedules attached to the commitment letter and any additional representations and warranties appropriate in the context of the proposed transaction, shall prove to have been untrue or incorrect in any material respect on the date of which it was made and such default shall have continued for a period of thirty (30) days after notice of such default from the Lender; or
4. If the Borrower or any Guarantor shall default in the performance or observance of any covenant, term or condition contained in the commitment letter or any of the schedules attached to the commitment letter or in any other agreement, instrument or document delivered by the Borrower or any Guarantor pursuant hereto or in connection herewith and such default shall have continued for a period of thirty (30) days, or such longer period as may be necessary provided the Borrower is diligently pursuing rectification of such default (but in no event later than one-hundred twenty (120) days) after notice of such default from the Lender; or
5. If the Borrower or any Guarantor shall:
 - (a) admit its inability to pay its debts generally as they become due or not pay its debts generally as they become due;
 - (b) file an assignment or a petition in bankruptcy, as the case may be, or a petition to take advantage of any insolvency statutes;
 - (c) make an assignment for the benefit of or make a proposal to its creditors;
 - (d) consent to the appointment of a receiver of the whole or any substantial part of its assets; or
 - (e) have been adjudged by a court having jurisdiction, a bankrupt or insolvent, or a decree or order of a court having jurisdiction shall have been entered for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy, and such judgement or order is not dismissed within sixty (60) days.
6. If any material adverse change occurs in the environmental condition of any of the Real Property, equipment or business activities of the Borrower or any Guarantor.
7. If any material adverse change occurs, or development likely to have a material adverse effect on the condition (financial or otherwise) of the operation, business, properties, prospects or capitalization of the Borrower or any guarantor occurs.
8. If any of the Events of Default (as defined in the executed copy of the Common Terms Intercreditor Agreement) occur.

REMEDIES

9. After an event of default has occurred as provided for above, the Security Documents shall become immediately enforceable and the Lender shall have the rights, powers and remedies set forth in the Security Documents. The Lender shall have, in addition to the rights, powers and remedies given them by the commitment letter or any other agreement, instrument or document delivered by the Borrower or any Guarantor pursuant hereto or in connection herewith and the security, all those

rights, powers and remedies allowed by applicable laws.

10. The Lender is authorized (but not obligated), at any time without notice, to apply the credit balance (whether or not then due) to which the Borrower is then beneficially entitled on any amount in or towards the satisfaction of the obligation and liabilities of the Borrower due to the Lender under the commitment letter or the Security Documents.

Union Water Supply System Inc.

COMMON TERMS AND INTERCREDITOR AGREEMENT

1. Parties: Union Water Supply System Inc. ("**Corporation**")

-and-

Each lender and hedge provider with whom the Corporation has outstanding credit facilities, whether drawn upon or not (the "**Lenders**")

For greater certainty, any subsequent lender will be required to become a party to this Agreement.

2. Definitions: For the purposes of this Agreement, unless there is something in the subject matter or context inconsistent therewith:

"**Actual Revenue**" has the meaning ascribed thereto in Section 7(d);

"**Assets**" means all of the Corporations cash balances on hand and securities held by the Corporation, and the Step-in-Rights related to the rights of the Corporation under the WSA;

"**Board**" means the board of directors of the Corporation;

"**Board Guidelines**" means the Board guidance and policy document, in effect from time to time, related to the establishment and management by the Corporation of reserve funds in accordance with the Corporation's bylaws;

"**Business**" means the business of the Corporation, being the bulk transmission of potable water to End-Customers;

"**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday, on which banking institutions are open for commercial banking business during normal banking hours in Windsor, Ontario;

"**Canadian GAAP**" means, as at any date of determination, those accounting principles generally accepted in Canada as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time;

"**Capital Reserve**" means capital reserves maintained by the Corporation according to Article 16 of the Corporation's bylaws, for the purpose of holding funds intended to fund Board-approved capital expenditures. in accordance with the Corporation's Board Guidelines;

"**Cash Waterfall**" means the scheme regarding the application of annual Actual Revenue generated by the Corporation, as more particularly described in Section 10;

"**Credit Agreement**" means a credit agreement between the Corporation,

as borrower, and a Lender as creditor;

“Credit Facility” means any outstanding credit or hedge facility, whether drawn upon or not, pursuant to any Credit Agreement between a Lender and the Corporation. Each Credit Facility contemplated hereunder shall be deemed to be outstanding until any and all amounts owing thereunder are repaid in full, and the Credit Facilities cancelled by the particular Lender that is a party thereto;

“Debt Balance” means the indebtedness, obligations and liabilities of the Corporation to a Lender, or all Lenders, whether direct or indirect, absolute or contingent, secured or unsecured, due or to become due, now existing or hereafter arising pursuant to any Credit Facility and howsoever evidenced;

“Debt Proceeds” means the aggregate amount of funds actually advanced to the Corporation by the Lenders under the Credit Facilities;

“Debt Service” or “DS” for each applicable year means:

- (a) with respect to Debt Balance with a defined principal amortization or sinking fund contribution set out in the applicable Credit Agreements: the aggregate of all applicable principal payments, interest payments, and other associated financing costs as set out in all applicable Credit Agreements;
- (b) with respect to Debt Balance without a defined principal amortization set out in the applicable Credit Agreements: the aggregate of all interest payments, and other associated financing costs as set out in all applicable Credit Agreements, plus a deemed amortization equal to four percent (4%) of the balance of all such non-amortizing Debt Balance as at January 1 of the applicable DSCR measurement year; and
- (c) with respect to Sun Life Debt Balance the aggregate of all applicable principal payments, interest payments, and other associated financing costs as set out in the Sun Life Assurance Credit Agreement;

“Debt Service Coverage Ratio” or “DSCR” means the ratio calculated as FADS divided by DS measured annually as at December 31 for any DSCR measurement year;

“Deficiency Plan” has the meaning ascribed thereto in Section 9(d);

“Dispute” has the meaning ascribed thereto in Schedule “A”;

“End-Customers” means residential, institutional, commercial and any other end users of Supplied Water;

“Encumbrance” means any mortgage, lien, pledge, assignment, charge, security interest, title retention agreement, lease, hypothec, levy, execution, seizure, attachment, garnishment, right of distress or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes any bond, debenture or similar instrument issued under a deed of trust or similar instrument which constitutes an Encumbrance;

"Enforcement Action" means the commencement of the exercise of any remedies against Corporation or any of its subsidiaries or any guarantor of any indebtedness of Corporation or against any of the Assets including the issuance of a demand letter demanding repayment of all or any part of the Debt Balance, the commencement of any litigation or proceeding (including the commencement of any foreclosure proceeding), the exercise of any private right of sale, any judicial sale, the taking of a transfer, conveyance, quit claim or assignment in lieu of foreclosure, the attornment of rents, the appointment of a receiver or receiver manager (whether by private or court appointment or otherwise) or the taking of any other enforcement action against, or the taking of possession or control of, any of the Assets, or the exercise of any other rights or remedies available to a Lender under a Credit Agreement or any security documents related thereto, or otherwise at law or in equity and includes any Insolvency Proceeding;

"Events of Default" has the meaning ascribed thereto in Section 15;

"Funds Available for Debt Service" or "FADS" means annual Actual Revenue of the Corporation, less operations, maintenance and administrative expenses and applicable taxes, plus any draws on the fund balances of the OGR, or the revenue stabilization fund, or both, during the applicable DSCR measurement year;

"Insolvency Law" means any of the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada), each as now and hereafter in effect, any successors to such statutes and any other applicable insolvency or other similar law of any jurisdiction including, without limitation, any law of any jurisdiction permitting a debtor to obtain a stay or a compromise of the claims of its creditors against it;

"Insolvency Proceeding" means any proposal or proceeding under any Insolvency Law or any other insolvency, liquidation, winding-up, reorganization or other similar proceeding concerning the Corporation, any action for the dissolution of the Corporation, any proceeding (judicial or otherwise) concerning the application of the Assets for the benefit of its creditors, the appointment or any proceeding seeking the appointment of a trustee, receiver or other similar custodian for all or substantially all of the Assets or any other action concerning the adjustment of the debts of the Corporation;

"Lender Rights" has the meaning ascribed thereto in Section 11(a);

"Majority Resolution" means a resolution of the Lenders holding not less than fifty percent (50%) plus one dollar (\$1.00) of the aggregate Debt Balance advanced to the Corporation by all Lenders;

"Municipalities" means one or more of the Municipality of Leamington, the Town of Kingsville, the Town of Essex or the Municipality of Lakeshore, all in the Province of Ontario;

"Municipality Water Distribution System Area" has the meaning ascribed thereto in the WSA.

“Notice of Dispute” has the meaning ascribed thereto in Schedule “A”;

“Operating and General Reserve” or **“OGR”** means operating and general reserves maintained by the Corporation according to Article 16 of the Corporation’s bylaws, for the purpose of maintaining appropriate liquidity for the Corporation in accordance with the Corporation’s Board Guidelines;

“Party Representative” has the meaning ascribed thereto in Schedule “A”;

“Permitted Encumbrance” has the meaning ascribed thereto in Section 13;

“Rate Stabilization Fund” means interest-bearing fund(s) in the name of the Corporation which holds fund(s) for one or more of the reserve funds maintained by the Corporation according to Articles 23 and 24 of the Corporation’s bylaws for the purpose of mitigating year to year fluctuations in Rates in accordance with the Board Guidelines;

“Rates” has the meaning ascribed thereto in Section 7(c);

“Revenue Requirement” has the meaning ascribed thereto in Section 7(c);

“Step-in-Rights” means upon the occurrence of an Event of Default, the rights of the Lenders, exercisable by Majority Resolution of the Lenders, to assume the rights of the Corporation under the WSA, subject to the concurrent pro-rata assumption by the Lenders of all obligations of the Corporation under the WSA;

“Sun Life Assurance Credit Agreement” means the financing agreement dated March 8, 1999 with Sun Life Assurance with a term ending on December 31, 2026 as the same may be amended, supplemented, restated, amended and restated, extended, renewed, or superseded from time to time;

“Sun Life Assurance Credit Facility” means the credit facilities in the original principal amount of eighteen million four hundred ninety-two thousand one hundred and sixty-seven dollars (\$18,492,167.00) established pursuant to the Sun Life Assurance Credit Agreement;

“Sun Life Assurance Debt Balance” means the indebtedness, obligations and liabilities owing to Sun Life Assurance pursuant to the Sun Life Assurance Credit Facility which the Corporation is directly or indirectly liable for payment;

“Supplied Water” means all water supplied by the Corporation to End-Customers pursuant to the WSA;

“Targeted OGR Minimum Balance” has the meaning ascribed thereto in Section 7(f);

“Tolling Period” has the meaning ascribed thereto in Schedule “A”; and

“WSA” means the Water Services Agreement, dated the 1st day of January, 2024 between the Corporation and each of the Municipalities.

3. Term

- a. With respect to the Corporation, this Agreement will be in force and effect, and binding on the Corporation for an indefinite period so long as there is at least one Credit Facility outstanding.
- b. With respect to any particular Lender, this Agreement will be in force and effect, and binding on said Lender, while there is a Credit Facility outstanding between the Corporation and such Lender.

4. Termination

- a. This Agreement is binding upon the Corporation, and its successors and assigns, and this Agreement will not be terminated by the Corporation during any period in which there is an outstanding Credit Facility.
- b. This Agreement will remain binding upon a Lender, and its successors and assigns, and this Agreement will not be terminated by a Lender during any period in which there is a Credit Facility outstanding between said Lender and the Corporation.
- c. The parties shall have no further termination rights.

5. Representations and Warranties

The Corporation and each Lender (for the purposes of this Section 5, each a “**Covenantor**”) hereby represents and warrants to the other parties as follows, and acknowledges that said other parties are relying on these representations and warranties in entering into this Agreement:

- a. Organization and Good Standing – The Covenantor is a corporation duly incorporated, organized, and validly existing and in good standing under the laws of its incorporation;
- b. Authority Relative to this Agreement, etc. – The Covenantor has all necessary corporate power, authority and capacity to enter into this Agreement and the consummation of the transactions contemplated hereby has been duly authorized by all necessary corporate action on the part of the Covenantor;
- c. Absence of Conflicting Agreements – The Covenantor is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of the execution and delivery by it of this Agreement or the consummation of the transactions contemplated herein, except as disclosed in this Agreement; and
- d. Enforceability of Obligations – This Agreement constitutes a valid and binding obligation of the Covenantor enforceable against it in accordance with its terms provided that enforcement may be limited by Insolvency Laws and other similar laws generally affecting enforceability of creditors’ rights and that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

6. Covenants and Obligations of Lenders

Each Lender hereby:

- a. Covenants and agrees to advance funds, including without limitation, Debt Balance, and make applicable Credit Facilities available to the Corporation, and generally perform all obligations of said Lender, in accordance with the applicable Credit Agreement between said Lender and the Corporation;
- b. Consents to the creation, issue, execution, delivery and registration of the rights and securities, if any, including, without limitation any Lender Rights, of the other Lenders and agrees that the creation, issue, registration, filing and existence of the same shall not constitute an event of default under the Credit Agreement of the first-mentioned Lender; and
- c. Covenants and agrees not to unreasonably withhold, condition or delay its consent to amend the WSA.

7. Covenants and Obligations of Corporation

The Corporation hereby covenants and agrees to:

- a. The terms and provisions of this Agreement, to maintain and deal with all its assets and undertaking, including, without limitation the Assets, in accordance with this Agreement and shall not take any action which would be inconsistent with the provisions of this Agreement;
- b. Subject to the provisions of this Agreement, make principal and interest payments of Debt Balance, together with payments of any applicable fees and charges, to each Lender, and shall perform all obligations required to be performed by the Corporation, in accordance with the provisions of the applicable Credit Agreement with each such Lender;
- c. Establish the annual revenue requirement ("**Revenue Requirement**") of the Corporation and end-customer rates payable (the "**Rates**") as required to be established pursuant to the WSA;
- d. Apply annual revenue earned by the Corporation ("**Actual Revenue**") in accordance with the Cash Waterfall;
- e. Maintain a DSCR of **[X]**;
- f. Target an OGR minimum balance (the "**Targeted OGR Minimum Balance**") of such amount that is the greater of:
 - i. thirteen percent (13%) of the approved revenue requirement according to the prevailing Corporation operating budget; or
 - ii. such value as set by the Board from time to time; and
- g. Not amend the WSA without the prior written consent of the

Lenders.

8. Use of Debt Proceeds

The Corporation will only use Debt Proceeds to:

- a. Fund the Corporation's capital expenditures as approved by the Board, from time to time;
- b. Fund increases in the OGR and the Capital Reserve of the Corporation in accordance with Board Guidelines; and
- c. Such other uses as are specifically contemplated in the use of proceeds provisions of the applicable Credit Agreement.

9. Operating Reserves

- a. The Corporation may contribute to the OGR, in accordance with the Board Guidelines, by adding:
 - i. Amounts of Actual Revenue, it being expressly acknowledged by the parties to this Agreement that amounts of Actual Revenue that the Corporation contributes to the OGR may be obtained as a result of increasing the Revenue Requirement or the Rates that the Corporation is required to establish pursuant to the WSA; or
 - ii. Debt Proceeds borrowed for the specific purpose of making contributions to the OGR, as approved by the Board, from time to time, provided that post-borrowing, the Corporation remains obligated to target the Targeted OGR Minimum Balance.
- b. The Corporation shall be entitled to draw from the OGR to ensure that the Corporation has sufficient liquidity to meet its financial and operational obligations in the event of decreased cash receipts or increased requirement for cash expenditures not foreseen in the applicable annual budgets of the Corporation, including, without limitation:
 - i. as a result of Actual Revenues being lower than the Revenue Requirement;
 - ii. for unbudgeted expenses related to urgent repairs of the Corporation's assets of a capital nature; or
 - iii. as a result of operations, maintenance and administration expenses being higher than budgeted.
- c. In addition to Section 9(b), the Corporation may release OGR funds to working capital for any purpose where OGR balances are in excess of the Targeted OGR Minimum Balance provided that after such release the OGR balance does not fall below the Targeted

OGR Minimum Balance.

- d. If the balance of the OGR, as tested in the course of the Corporation's annual budgeting process, is less than the Targeted OGR Minimum Balance (the "**Deficiency**") due to draws thereupon made pursuant to Section 9(b) or Section 9(c), where such Deficiency is caused within a particular fiscal year, then the Corporation will establish a plan (the "**Deficiency Plan**"), in accordance with the Board Guidelines, to replenish said Deficiency by the end of the immediately ensuing calendar year. Within fifteen (15) days after approval of the Deficiency Plan by the Board a copy of the Deficiency Plan shall be provided to the Lenders for information purposes.

10. Cash Waterfall

Application of all Actual Revenue by the Corporation, including without limitation, contributions to the OGR, shall be carried out in accordance with the scheme of priority set forth below:

- a. Firstly, to operations, maintenance, and administrative expenses, including without limitation, taxes payable and expenses related to urgent repairs of the Corporation's assets of a capital nature (as determined in accordance with Canadian GAAP);
- b. Secondly, to Debt Service payments;
- c. Thirdly, amounts assigned to reduce an OGR Deficiency, as applicable; and
- d. Lastly, to all other expenditures of the Corporation, as well as to contributions to reserves, including, without limitation, the OGR beyond any payment already contemplated in Section 10(c), the Capital Reserve, and the Rate Stabilization Fund(s) of the Corporation.

11. Priority Ranking:

- a. The rights of, and recourse afforded to, each Lender pursuant to the respective Credit Agreements and security documents related thereto, including without limitation with respect to the repayment of Debt Balance to each Lender, and each Lender's interest, if any, in the Assets (collectively the "**Lender Rights**") shall rank on a pro rata and pari passu basis.
- b. The pro rata and pari passu ranking of the Lender Rights shall extend to and include interest accruing on the Debt Balance at the rate or rates prior to default applicable thereto and reasonable costs of enforcement and collection in respect thereof (including reasonable legal fees).
- c. For greater certainty, each Lender acknowledges and agrees that the Lender Rights shall rank on a pro rata and pari passu basis notwithstanding:
 - (i) anything contained in any prior agreement, document or

instrument;

(ii) the dates or sequence of creation, execution, registration or delivery of any agreement, document or instrument including, without limitation, any Credit Agreement and security documents related thereto, or the dates of any advances of monies thereunder or pursuant thereto;

(iii) the date of any default by Corporation pursuant to any Credit Agreement or security documents related thereto;

(iv) the dates or sequence in which any of the security interest of any Lender pursuant to an applicable Credit Agreement, or any security document related thereto, is registered, filed or recorded or becomes perfected;

(v) the giving of or the failure to give any notice to Corporation or any other person;

(vi) the time or sequence in which any floating charge under any Credit Agreement, or security document related thereto, is crystallized;

(vii) the time or sequence of the commencement of any Enforcement Action;

(viii) the terms or provisions of the Credit Agreements and security documents related thereto;

(ix) any forbearance whatsoever as to time, performance or otherwise or any release, discharge, loss or alteration in or dealing with all or any part of the Debt Balance or any Credit Agreement or security document related thereto;

(x) any defence, set off or counterclaim which any person may assert;

(xi) any Insolvency Proceeding in respect of the Corporation; or

(xii) the priorities otherwise accorded to the Debt Balance or to the Lender Rights under any Credit Agreement or security document related thereto, by any applicable laws or any other factor of legal relevance establishing relative rights of enforcement in respect of the Assets.

12. Reporting Requirements

The Corporation is required to provide to each Lender:

- a. Within one hundred and twenty (120) days after the end of each fiscal year, annual audited financial statements together with an auditor's report for the Corporation for the immediately preceding fiscal year; and
- b. For each fiscal year, the following annual budgets of the Corporation,

upon approval of the Board:

- (i) Operating budget;
 - (ii) Capital budget (one (1) year and minimum six (6) year rolling);
 - (iii) Revenue Requirements and Rates budget; and
 - (iv) Reserves management budget for all reserve funds;
- c. Within one hundred and twenty (120) days after the end of each fiscal year, for each fiscal year, annual DSCR compliance certificate together with a copy of the relevant calculations, for the immediately preceding DSCR measurement year.

13. Permitted Encumbrances

The following Encumbrances are permitted Encumbrances ("**Permitted Encumbrances**") with respect to the Corporation:

- a. any interest in cash, marketable debt securities or accounts receivable created or assumed by the Corporation to or in favour of a Lender to secure Debt Balance and any other indebtedness of the Corporation to a Lender pursuant to a Credit Agreement and security documents related thereto;
- b. any Encumbrance that is incurred by the Corporation in the ordinary course of Business and for the purpose of carrying on the Business;
- c. any Encumbrance or deposit under workers' compensation, social security or similar legislation or in connection with bids, tenders, leases, contracts or expropriation proceedings or to secure public or statutory obligations, surety and appeal bonds or costs of litigation where required by law;
- d. any Encumbrance or privilege imposed by law, such as builders', mechanics, material men's, carriers', warehousemen's and landlords' liens and privileges; or any Encumbrance or privilege arising out of judgments or awards with respect to which the Corporation at the time is prosecuting an appeal or proceedings for review and with respect to which it has secured a stay of execution pending such appeal or proceedings for review; or any Encumbrance for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Corporation in good faith; or any undetermined or inchoate Encumbrances or privilege incidental to current operations that has not been filed pursuant to law against the Corporation or that relates to obligations not due or delinquent; or the deposit of cash or securities in connection with any Encumbrance or privilege referred to in this Section 13;

- e. any right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit held or acquired by the Corporation, or by any statutory provision, to terminate the lease, licence, franchise, grant or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition of the continuance thereof;
- f. any Encumbrance or right of distress reserved in or exercisable under any lease for rent to which the Corporation is a party and for compliance with the terms of the lease;
- g. any Encumbrance created or assumed by the Corporation in favour of a public utility or any municipality or governmental or other public authority when required by the utility, municipality or other authority in connection with the Business of the Corporation;
- h. any minor Encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions applicable to the Corporation's use of real property, that do not in the aggregate materially detract from the value of the property or materially impair its use in the operation of the Business of the Corporation; or
- i. any extension, renewal, alteration, substitution or replacement, in whole or in part, of an Encumbrance referred to in this Section 13 provided that the Encumbrance is limited to all or part of the same assets and the terms and conditions of the Encumbrance are no more restrictive in any material respect than the Encumbrance so extended.

14. Negative Pledge and Lender Rights

The Corporation will not create, assume or suffer to exist any Encumbrance, other than Permitted Encumbrances, on or over any of its assets (present or future), including the Assets, to secure any obligation to any person, unless at the same time it shall secure equally and ratably therewith the Credit Agreements, Debt Balance, and with Lender Rights issued pursuant to this Agreement.

15. Events of Default:

- a. The following are “**Events of Default**” applicable to the Corporation:
 - (i) termination of the WSA, or withdrawal therefrom of a Municipality or Municipalities whose Municipality Water Distribution System Area has End-Customers who represent greater than thirty percent (30%) of the Corporation's Actual Revenue determined by reference to the immediately preceding calendar year;
 - (ii) amendment of the WSA without approval of the Lenders;
 - (iii) material change in the Business without the prior written approval of the Lenders;

- (iv) failure to pay principal or premium of Debt Balance when due pursuant to a Credit Agreement and the failure continues for a period of five (5) days after written notice thereof has been given to the Corporation by a Lender;
- (v) failure to make payment of interest, fees and amounts when due pursuant to a Credit Agreement, or a failure to observe or perform any provision of any Credit Agreement and failure continues for a period of thirty (30) days after written notice thereof has been given to the Corporation by a Lender;
- (vi) failure to establish and/or implement the Deficiency Plan in accordance with Section 9(d) if such failure continues for a period of thirty (30) days after written notice thereof has been given to the Corporation by a Lender;
- (vii) the entering into a transaction or series of transactions, without the prior written consent of the Lenders, in which all or substantially all of the undertaking, property and assets of the Corporation would become the property of any other person;
- (viii) failure to observe and perform any obligation, covenant or condition set forth in this Agreement, including without limitation those covenants contained in Section 7 hereof, if such failure continues for a period of thirty (30) days, or such longer period as may be necessary provided the Corporation is diligently pursuing rectification of such failure (but in no event later than one-hundred twenty (120) days), after written notice thereof has been given to the Corporation by a Lender;
- (ix) one or more final judgments arising from any Enforcement Action are rendered against the Corporation in an aggregate amount in excess of two hundred and fifty thousand dollars (\$250,000.00) by a court and such judgment remains undischarged for a period of sixty (60) days or more;
- (x) winding-up, liquidation or dissolution of the Corporation; and
- (xi) any Insolvency Proceeding involving the Corporation which is not dismissed within sixty (60) days of the commencement thereof.

16. Remedies

- a. Upon the occurrence of an Event of Default, the Lenders shall be entitled to exercise the Lender Rights, subject to Section 16(b) below.
- b. Upon the occurrence of an Event of Default, and in the event the Lenders, by Majority Resolution, elect to exercise their Step-in-Rights, then any decisions or actions taken by the Lenders under the WSA shall require a Majority Resolution of the Lenders.

17. Dispute Resolution

In the event of a Dispute between the parties, such Dispute shall be resolved in accordance with the dispute resolution procedure set forth in

Schedule "A" hereto.

18. General Provisions

- a. Restricted Assignment. The Corporation shall not assign or transfer any of its rights hereunder without the prior written consent of the Lenders, by Majority Resolution. A Lender may assign or transfer its rights hereunder to another Lender without consent of the Corporation. A Lender may assign or transfer its rights hereunder to a third party with consent of the Corporation, not to be unreasonably withheld, conditioned or delayed, and provided the assignee or transferee thereof shall agree in writing to be bound by the terms of this Agreement as if an original party hereto. Each of the parties hereto intends that this Agreement shall not be construed or deemed to benefit or create any right or cause of action or entitlement in or for the benefit of or on behalf of any other person and no person, other than the parties who are signatories hereto and their permitted assigns and successors, shall be entitled to rely upon any of the provisions of this Agreement in any action or proceeding, including without limitation an Enforcement Proceeding, or hearing whether in court or in any other forum.
- b. No Challenge. Each Lender covenants and agrees with the other Lenders and the Corporation, that it shall not challenge the enforceability, security interests and charges, or the pari passu priority ranking, of the Lender's Rights, and any of their respective Credit Agreements and security documents related thereto.
- c. Notice. Any notice hereunder shall be in writing and shall be delivered, telecopied or mailed by prepaid registered mail, or sent by facsimile transmission or electronic mail and addressed as follows:

in the case of Corporation, to it at:

1615 Union Ave.
P.O. Box 340
Ruthven, ON
N0P 2G0

Attention: General Manager

In the case of a Lender, to it at the address set forth in the notice section of the applicable Credit Agreement.

Any such notice shall be deemed to be received on the date of delivery thereof or on the date of the telecopier transmission thereof (provided such day is a Business Day and, if not a Business Day, shall be deemed to be received on the first Business Day thereafter) and, if mailed, on the third Business Day after the postmark date thereof.

Notices shall not be mailed if there shall be an immediately impending or actual mail strike. Any party may change its address for service of notice by giving notice to each of the others in the manner above prescribed.

- d. Waiver and Amendment. No amendment or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.
- e. Force Majeure. Except for the payment obligations of the Corporation contained herein, no party shall be liable to another, or held in breach of this Agreement, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of an act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Agreement shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section 18(e).
- f. Document in English. The parties hereto confirm that it is their wish that this Agreement as well as all other documents relating thereto including communications have been and shall be drawn up in English only. Les parties aux présentes confirment leur volonté que cette convention de même que tous les documents, y compris tous avis s'y rattachant, soient rédigés en anglais seulement.
- g. Time of the Essence. Time is of the essence of this Agreement.
- h. Further Assurances. Each of the parties hereto agrees to promptly execute and deliver to the others, upon request by any party, all such other and further documents, agreements, certificates, instruments and other assurances as may be required to accomplish the covenants and agreements set out herein, all as may be reasonably necessary or appropriate in connection herewith.
- i. No Amendments. Each party agrees that it shall not, without the prior written consent of all other parties, amend, modify, cancel, terminate or waive in whole or in part any of the terms of this Agreement.
- j. Enurement. This Agreement shall enure to the benefit of and be binding upon the parties hereto, and their respective successors and permitted assigns.
- k. Counterparts. This Agreement may be executed in one or more counterparts all of which, when so executed shall be deemed to constitute one and the same agreement. Counterparts may be executed and delivered either by electronic signature or in original, PDF, or faxed form and the parties adopt and accept any signatures received by email, PDF or a receiving fax machine as original signatures of any of the parties hereto; provided however that any party providing its signature by email PDF or fax shall promptly forward to the other parties hereto an original of the signed copy of this Agreement which was so emailed or faxed if requested by any other party hereto.

[Balance of page left intentionally blank. Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Agreement under the hands of their proper officers in that behalf, on the date(s) set forth below.

Corporation

UNION WATER SUPPLY SYSTEM INC.

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

I/We have the authority to bind the corporation

Date: _____

Lenders

[LENDER A]

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

I/We have the authority to bind the corporation

Date: _____

Address: _____

[LENDER B]

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

I/We have the authority to bind the corporation

Date: _____

Address: _____

Schedule "A"
Dispute Resolution Procedure

1. Any dispute arising out of the interpretation of this Agreement ("**Dispute**") will be addressed as follows:

Step 1

(a) any party may give an other party written notice of the Dispute (the "**Notice of Dispute**"). Within fifteen (15) days after delivery of the Notice of Dispute, the receiving party will deliver to the other party's representative a written response. The aforementioned representative, for the Corporation shall be the Corporation's most senior signing authority, and for any Lender will be as appointed by said Lender from time to time (collectively, the "**Party Representatives**"). The Notice of Dispute and the response shall include a statement of the party's position and a summary of material facts and arguments supporting that position.

(b) Within thirty (30) days after delivery of the Notice of Dispute, the parties involved in the Dispute shall meet at a mutually accepted time and place and thereafter as often as they reasonably deem necessary to attempt to resolve the Dispute promptly by negotiation between the Party Representatives. All reasonable requests for information made by one party to the other party(ies) involved in the Dispute will be honoured. Time will be of the essence in all matters concerning the Dispute.

(c) All negotiations and documents exchanged between the parties during the dispute resolution process, including the Notice of Dispute, shall be treated as confidential and as compromise and settlement negotiations and, therefore, deemed to be off the record and made without prejudice.

Step 2

(d) If the Dispute has not been resolved in Step 1, then the parties involved in the Dispute may attend mediation by way of a mediator agreed to by said parties. If said parties do not agree to attend mediation, cannot agree to a mediator or in the event the Dispute is not resolved through mediation, the Dispute shall be referred to arbitration as hereinafter set out.

(e) The parties agree that from the time when a party delivers a Notice of Dispute, any and all relevant limitation periods are suspended, tolled or extended from the date of delivery of the Notice of Dispute until the day which is twenty (20) days after any party involved in the Dispute notifies the other in writing that it is not prepared to continue to mediate the Dispute (the "**Tolling Period**"). No party involved in the Dispute can assert or rely on the passage of time during the Tolling Period in support of any defence relating to the passage of time.

Step 3

(f) Any Dispute not resolved through mediation shall be finally determined by arbitration. If the parties involved in the Dispute are unable to resolve the Dispute after Step 2, then any of said parties may initiate arbitration by delivering a written demand for arbitration upon the other party(ies) involved in the Dispute. This written demand will contain a statement of the issues in dispute, the relief sought and the material facts upon which said party relies. The arbitration shall be conducted in accordance with the Arbitration Act, 1991, S.O. 1991, c.17. The arbitration shall take place in Windsor, Ontario, and shall be conducted in English.

(g) The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the business affairs of either of the parties. The arbitrator shall be appointed jointly by agreement of the parties involved in the Dispute, failing which an arbitrator shall be appointed by a judge of the Superior Court of Justice of Ontario. Absent agreement or an award in the arbitration to the contrary, each party involved in the Dispute is responsible for its own legal expenses and for an equal share of the fees and expenses of the arbitration and any other expenses related thereto.

(h) The arbitrator shall have the authority to award any remedy or relief that a court or a judge of the Superior Court of Justice of Ontario could order or grant in accordance with this Agreement, including, without limitation, specific performance of any obligation created under this Agreement, the issuance of

an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.

(i) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the parties involved in the Dispute with no rights of appeal. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant party or its assets.

(j) All awards for the payment of money may include interest from the date the claim for payment arose until the date the money is paid at the rate of twelve percent (12%) per annum, together with interest on such interest compounded monthly.

2. If any part of any amount purportedly payable by one party to another party is the subject of a bona fide Dispute, the undisputed portion, if any, of the payment shall be paid by the disputing party when due and the disputed portions shall be paid by the disputing party when determined.
3. Where it is determined at arbitration that a party was entitled to be paid any portion of the disputed amount by the other party(ies) involved in the Dispute, said other party(ies) shall reimburse the party entitled to payment for the amount of any such underpayment plus interest from the date originally due at a rate per annum equal to twelve percent (12%) per annum, together with interest compounded monthly.