# CAPITAL STRUCTURE

In accordance with Section 2.5 of the Ontario Energy Board ("OEB") Filing Requirements for Electricity Distribution Rate Applications (May 7, 2025), this schedule provides an overview of Elexicon Energy Inc.'s ("Elexicon") capital structure for 2027 through 2031. Exhibit 5 - Tab 1 - Schedule 2 provides further detail regarding the calculation of Elexicon's cost of capital, while Attachment 1 to Exhibit 5 – Tab 1 – Schedule 2 provides OEB Appendix 2-OA and Appendix 2-OB, respectively.

## 1. DEEMED CAPITAL STRUCTURE

Consistent with the OEB's Decision and Order in EB-2024-0063 dated March 27, 2025 ("2025 Cost of Capital Report"), Elexicon is relying on the OEB's deemed capital structure for electricity distributors for the purpose of establishing the cost of capital recovered in distribution rates. Under this approach, Elexicon's capital structure for rate-setting purposes is deemed to be 40% equity, 56% long-term debt, and 4% short-term debt.

This capital structure is reflected in OEB Appendix 2-OA and in the derivation of Elexicon's cost of capital as set out in Exhibit 5 - Tab 1 - Schedule 2.

## 2. ACTUAL CAPITAL STRUCTURE

As described in detail in Exhibits 1, 2, 3 and 4 of this application, Elexicon is undergoing a period of significant change and growth. Large system renewal, customer growth and peak demand investments, among others, drive a significant financing need at the utility. As of Q3 of 2025, Elexicon's actual debt-to-equity split was approximately 62% / 38%, with anticipated financing needs driving this figure further from the OEB's deemed structure over the course of 2027 to 2031 without mitigation. In order to facilitate the financing of Elexicon's 2027-2031 capital plan and improve its borrowing metrics, Elexicon's management team developed and executed on a financing strategy in conjunction with its Board of Directors and shareholders. The plan implements the following strategic measures:

**1)** Elexicon is in the process of preparing to become a debt issuer moving away from its previous financing approach focused on standard commercial loans. Elexicon is anticipating its first debt issuance in 2027. As Elexicon grows in size it can no longer continue to finance its capital needs through one bank**,** and it is diversifying its sources of capital to ensure access to lower cost debt. Elexicon's forecast debt and financing plan are further discussed in Exhibit 5 - Tab 1 - Schedule 2;

**2)** In Q3 of 2025, the majority of Elexicon's shareholders agreed to convert $62 million in existing promissory notes into shareholder equity, representing a substantial equity injection into the distribution utility. This conversion had a two-fold benefit of re-aligning Elexicon's capital structure with the expectation of markets and regulators, as well as, creating additional borrowing capacity for financing future capital investment; and,

**3)** Also, in Q3 of 2025, Elexicon entered into an agreement with the majority of its shareholders to suspend shareholder dividends through 2031; instead, those amounts will be re-invested in the business bolstering equity and reducing borrowing requirements over this period.

The impact of the above represents substantial positive change for the utility and ratepayers. Conversion of promissory notes to equity and the suspension of dividends represent a material investment in Elexicon by its shareholder communities and demonstrates community support for the plan that Elexicon has put forward in this application to invest in ensuring reliable service and respond to the dynamic growth within its service territory.

On conversion of promissory notes to equity, Elexicon will move to a debt-to-equity split of 53% / 47%, and the suspension of shareholder dividends will help to mitigate the impact of incremental financing on this same ratio.

# COST OF CAPITAL

As articulated in Exhibit 5 - Tab 1 - Schedule 1, Elexicon is relying on the OEB's deemed capital structure for rate-setting purposes, as outlined in the 2025 Cost of Capital Report. Subsequent to the 2025 Cost of Capital Report, the OEB released its 2026 Cost of Capital Parameters for 2026 on October 31, 2025, establishing the OEB's cost of capital parameters applicable to Return on Equity, Short-Term Debt and Long-Term Debt. Elexicon has relied on the OEB's 2026 cost of capital parameters in setting its Return on Equity and Short-Term Debt rates, and has leveraged the OEB's deemed Long-Term Debt rate in establishing the weighted average rate outlined in this Schedule. Elexicon will update its cost of capital parameters to reflect the OEB's 2027 parameters when they are published in Q4 of 2026, and will rely on these updated values for the purpose of setting final distribution rates effective January 1, 2027.

## 1. RETURN ON EQUITY

Elexicon's forecasted Return on Equity ("ROE") for the 2027 to 2031 period is based on the OEB's prescribed 2026 ROE rate of 9.11%, applied to 40% of Elexicon's forecast rate base for each year from 2027 to 2031. Elexicon will update the ROE rate at the time of the rate order stage to align with the final 2027 OEB default value.

Table 1 below presents Elexicon's historical achieved ROE. Elexicon has under-earned on its ROE by more than 300 basis points since 2022.

**Table 1: Historical ROE**

| Year | Deemed ROE | Achieved ROE | Difference |
|---|---|---|---|
| **2020** | 9.43% | 6.80% | -2.63% |
| **2021** | 9.43% | 6.87% | -2.56% |
| **2022** | 9.43% | 4.86% | -4.57% |
| **2023** | 9.43% | 5.15% | -4.28% |
| **2024** | 9.43% | 5.39% | -4.04% |

## 2. SHORT-TERM DEBT

Elexicon's forecasted cost of Short-Term Debt for the 2027 to 2031 period is based on the OEB's deemed 2026 Short-Term Debt rate of 2.72%, applied to 4% of Elexicon's forecast rate base for each year from 2027 to 2031. Elexicon will update the short-term debt rate at the time of the rate order stage to align with the final 2027 OEB default value.

## 3. LONG-TERM DEBT

### Deemed Long Term Debt

Elexicon's forecasted cost of Long-Term Debt for the 2027 to 2031 period leverages the OEB's Deemed Long-Term Debt Rate ("DLTDR") of 4.73%, in establishing Elexicon's weighted average Long-Term Debt Rate of 4.83%, which is applied to 56% of Elexicon's forecast rate base for each year from 2027 to 2031. The calculation of Elexicon's weighted average Long-Term Debt rate is outlined in Table 2 below, and in OEB Appendix 2-OB filed as Attachment 1 to this schedule.

**Table 2: Calculation of Elexicon's Weighted Average Long-Term Debt Rate**[1]

| Description | Lender | Affiliated / Third-Party | Fixed / Variable | Start Date | Term (years) | Principal ($M) | Rate (%) | Interest ($M) |
|---|---|---|---|---|---|---|---|---|
| Shareholder promissory notes | Shareholders | Affiliated | Fixed Rate | | | $18.0 | 4.73% | $0.9 |
| Promissory notes | Elexicon Corporation | Affiliated | Fixed Rate | 10-09-2024 | 10 | $13.0 | 4.58% | $0.6 |
| Interest rate swap loan | RBC | Third-Party | Fixed Rate | 8-02-2023 | 5 | $220.0 | 4.92% | $10.8 |
| Interest rate swap loan | RBC | Third-Party | Fixed Rate | 10-03-2023 | 5 | $33.4 | 5.18% | $1.7 |
| Debenture | RBC | Third-Party | Fixed Rate | 1-01-2027 | 10 | $270.3 | 4.73% | $12.8 |
| **Total** | | | | | | **$554.6** | **4.83%** | **$26.8** |

Elexicon has adhered to the OEB's guidance in the 2025 Cost of Capital Report that "In setting the cost of long-term debt for a rate term, utilities will continue to use their actual weighted average embedded debt plus forecasted debt."[2] However, the OEB also notes that there are required exceptions, such as the use of the DLTDR as a ceiling for variable debt and some affiliate debt, and reference to the DLTDR in assessing the prudence and reasonableness of actual long-term debt costs.[3]

By 2027, Elexicon forecasts having one promissory note held directly by shareholders in the amount of $18.0 million. Per the OEB's 2025 Cost of Capital Report, the OEB's DLTDR is to apply as a ceiling on debt held by a municipal government shareholder. As such, Elexicon has assigned a rate of 4.73% to this promissory note for the purpose of calculating its weighted average cost of Long-Term Debt.

[1] Numbers may not sum due to rounding.
[2] EB-2024-0063, Decision and Order, March 27, 2025, page 72
[3] Ibid., page 74

Elexicon's other promissory note, in the amount of $13.0 million, is held by Elexicon's parent corporation, and bears an interest rate of 4.58%. Given this rate is market-based and is below the OEB's DLTDR, Elexicon has retained this rate for the purpose of calculating its weighted average cost of Long-Term Debt. A copy of each of these notes, and the amending agreement for the EC-EE promissory note is attached to this schedule.

As noted in Exhibit 5 - Tab 1 - Schedule 1, as of the preparation of this application Elexicon is in the process of preparing to become a debt issuer. Becoming an issuer of debt will better position Elexicon to raise the funds necessary for its capital plan, as outlined in Exhibit 2B. Further, Elexicon will have taken out its current variable-rate financing vehicle by 2027, with debentures issued directly by the utility. This transition will provide access to a broader market for competitive financing and will benefit rate payers with greater stability and lower interest expense in the long-term.

Elexicon will be executing on this strategy effective 2027, as shown by an initial $270.3 million debenture with RBC listed with Appendix 2-OB, provided as Attachment 1 this schedule. Elexicon plans to implement via a syndication strategy in partnership with a partnership bank under RBC acting as the lead arranger; preserving available lending power amongst additional lenders for future credit needs, enhancing flexibility in the selection of future financing partners, and maintaining Elexicon's ability to foster multiple banking relationships. In preparing this application to the OEB, Elexicon noted significant variance in forecast long-term bond yields, including material month-over-month changes throughout the course of 2025. Elexicon understands this dynamic to be the result of global and domestic financial uncertainty, driven by U.S. trade policy, Canadian economic pressures, and other factors. In light of this challenge, and to ensure the rate assigned to the 2027 Debenture is reasonable, Elexicon has assigned this forecast debt the OEB's DLTDR of 4.73%. Elexicon proposes to update this assigned value at the Draft Rate Order phase of this proceeding, to reflect the OEB's DLDTR at that time.

Finally, in 2027 Elexicon will retain two interest rate swap loans with RBC, with rates of 4.920% and 5.176%, in the amounts of $220.0 million and $33.4 million, respectively. These facilities both have terms expiring in 2028. These facilities are external market-based debt, and per the OEB's 2025 Cost of Capital Report are not subject to the DLDTR as a ceiling.[4] Elexicon has demonstrated prudence in the management of its treasury function, as demonstrated by the equity conversion outlined in Exhibit

[4] EB-2024-0063, Decision and Order, March 27, 2025, page 72

5 - Tab 1 - Schedule 1, as well as the transition away from promissory notes and variable rate facilities, and towards privately issued debt in the long term.

Note that at the time of filing, external debt is currently held at the Elexicon Energy level. The organization is in the midst of restructuring its debt and plans to move the external debt to the parent company level. This change will not impact the cost or relative weighting of debt instruments as shown.

## 4. COST OF CAPITAL

The completed version of the OEB Appendix 2-OA is filed in Excel format as Attachment 1 to this schedule. Table 3 below summarizes Elexicon's cost of capital in 2020, Elexicon's first full year of operation post-merger, based on actual rate base and weighted average cost of capital parameters approved at that time. Tables 4 through 8 below summarize Elexicon's cost of capital over the 2027 through 2031 years. For 2027, the total return on rate base shown is included within Elexicon's revenue requirement for the purpose of designing distribution rates. For 2028 through 2031, the total return on rate base shown is included within the forecast revenue requirements relied upon to inform Elexicon's Custom Revenue Cap Index, as further described in Exhibit 1 - Tab 5 - Schedule 1.

**Table 3: 2020 Cost of Capital (Actuals)[5]**

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $235,284,425 | 5.07% | $11,928,920 |
| Short-term Debt | 4.00% | $16,806,030 | 2.19% | $368,052 |
| **Total Debt** | 60.0% | $252,090,456 | 4.88% | $12,296,972 |
| **Equity** | | | | |
| Common Equity | 40.00% | $168,060,304 | 9.43% | $15,848,087 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $168,060,304 | 9.43% | $15,848,087 |
| **Total** | 100.0% | $420,150,759 | 6.70% | $28,145,059 |

[5] Numbers may not sum due to rounding.

**Table 4: 2027 Cost of Capital**[6]

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $345,688,488 | 4.83% | $16,692,252 |
| Short-term Debt | 4.00% | $24,692,035 | 2.72% | $671,623 |
| **Total Debt** | 60.0% | $370,380,522 | 4.69% | $17,363,875 |
| **Equity** | | | | |
| Common Equity | 40.00% | $246,920,348 | 9.11% | $22,494,444 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $246,920,348 | 9.11% | $22,494,444 |
| **Total** | 100.0% | $617,300,871 | 6.46% | $39,858,319 |

**Table 5: 2028 Cost of Capital**[7]

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $382,746,996 | 4.83% | $18,481,695 |
| Short-term Debt | 4.00% | $27,339,071 | 2.72% | $743,623 |
| **Total Debt** | 60.0% | $410,086,067 | 4.69% | $19,225,318 |
| **Equity** | | | | |
| Common Equity | 40.00% | $273,390,712 | 9.11% | $24,905,894 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $273,390,712 | 9.11% | $24,905,894 |
| **Total** | 100.0% | $683,476,779 | 6.46% | $44,131,211 |

[6] Numbers may not sum due to rounding.
[7] Numbers may not sum due to rounding.

**Table 6: 2029 Cost of Capital**[8]

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $437,846,105 | 4.83% | $21,142,264 |
| Short-term Debt | 4.00% | $31,274,722 | 2.72% | $850,672 |
| **Total Debt** | 60.0% | $469,120,826 | 4.69% | $21,992,937 |
| **Equity** | | | | |
| Common Equity | 40.00% | $312,747,218 | 9.11% | $28,491,272 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $312,747,218 | 9.11% | $28,491,272 |
| **Total** | 100.0% | $781,868,044 | 6.46% | $50,484,208 |

**Table 7: 2030 Cost of Capital**[9]

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $491,984,559 | 4.83% | $23,756,446 |
| Short-term Debt | 4.00% | $35,141,754 | 2.72% | $955,856 |
| **Total Debt** | 60.0% | $527,126,314 | 4.69% | $24,712,302 |
| **Equity** | | | | |
| Common Equity | 40.00% | $351,417,542 | 9.11% | $32,014,138 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $351,417,542 | 9.11% | $32,014,138 |
| **Total** | 100.0% | $878,543,856 | 6.46% | $56,726,440 |

[8] Numbers may not sum due to rounding.
[9] Numbers may not sum due to rounding.

**Table 8: 2031 Cost of Capital**[10]

| Particulars | Capitalization Ratio | | Cost Rate | Return |
|---|---|---|---|---|
| | (%) | ($) | (%) | ($) |
| **Debt** | | | | |
| Long-term Debt | 56.00% | $576,176,028 | 4.83% | $27,821,798 |
| Short-term Debt | 4.00% | $41,155,431 | 2.72% | $1,119,428 |
| **Total Debt** | 60.0% | $617,331,459 | 4.69% | $28,941,226 |
| | | | | |
| **Equity** | | | | |
| Common Equity | 40.00% | $411,554,306 | 9.11% | $37,492,597 |
| Preferred Shares | 0.00% | $ - | | $ - |
| **Total Equity** | 40.0% | $411,554,306 | 9.11% | $37,492,597 |
| | | | | |
| **Total** | 100.0% | $1,028,885,764 | 6.46% | $66,433,823 |

## 5. LIST OF ATTACHMENTS

- Attachment 1 (Excel): OEB Appendix 2-OA Capital Structure and Cost of Capital, and OEB Appendix 2-OB Debt Instruments
- Attachment 2 (PDF): Copies of Promissory Notes

[10] Numbers may not sum due to rounding.

# EXHIBIT 5 - TAB 1 - SCHEDULE 2: ATTACHMENT 1
# “OEB APPENDIX 2-O CAPITAL STRUCTURE & COST OF CAPITAL AND DEBT”
# (REFER TO ATTACHMENT IN EXCEL FORMAT)

# EXHIBIT 5 - TAB 1 - SCHEDULE 2: ATTACHMENT 2
# "COPIES OF PROMISSORY NOTES"
# (REFER TO ATTACHMENT IN PDF FORMAT)

# FIRST AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: **December 9th, 2024**
Principal Amount: **$15,000,000**

This note amends and restates a Term Promissory Note issued by Veridian Connections Inc. (the "**Corporation**") to Veridian Corporation (the "**Holder**") on June 1st, 2007.

FOR VALUE RECEIVED, the Corporation hereby promises to pay to or to the order of the Holder, in lawful money of Canada, on **December 9th, 2024** (the "**Maturity Date**"), subject to the right of the Holder to demand earlier repayment (in whole or in part) at any time in accordance with the terms set forth in Section 0, at the principal office of the Holder, the principal amount of Fifteen Million ($15,000,000) Dollars (the "**Principal Amount**") together with interest on the unpaid Principal Amount, together with interest on the Principal Amount outstanding as set forth below.

1. Interest Rate.

Interest on the Principal Amount of 4.77% per annum, shall accrue from and including the date hereof and shall be payable annually on the anniversary date of this Note. For greater certainty, the interest rate is based upon the Ontario Energy Board's deemed long-term debt rate for use in cost of service applications, calculated in accordance with the formulaic methodologies documented in the Report of the Ontario Energy Board on the Cost of Capital for Ontario's Regulated Utilities issued December 11, 2009, as amended from time to time, which for greater certainty was set at **4.77%** on November **20th**, 2014.

2. Acceleration on Default.

Upon the occurrence of any of the following events of default:

a. the failure to make payment when due of any interest due hereunder;

b. the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy;

c. the undersigned breaches the terms of its operating licenses or if a license is materially amended, cancelled, suspended or revoked or if the undersigned receives notice from the Ontario Energy Board of default under such licenses;

d. the undersigned ceases or threatens to cease to carry on its business as a regulated electricity distributor or any substantial part thereof;

e. the undersigned fails to adhere to the Affiliate Relationship Code restrictions set by the Ontario Energy Board, as applicable; or

f. the undersigned fails to file its Ontario Energy Board rate submissions as outlined in its annual business plan forecast;

the entire unpaid indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination or postponement to any other financial institution or lender.

3. Ranking of this Note.

This Note shall rank in all respects as to the payment of principal and interest hereunder in priority to the promissory notes issued by the Corporation to the Corporation of the Municipality of Clarington, to the Corporation of the City of Pickering, to the Corporation of the City of Belleville, and to the Corporation of the Town of Ajax, as more particularly described in Schedule "A" hereto. For greater clarity, nothing shall prevent the Holder to demand repayment of this Note at any time in accordance with the terms set forth in Section 0.

Repayment.

Notwithstanding that this Note matures on the Maturity Date, the Holder of this Note shall have the right to demand repayment of this Note (in whole or in part) at any time upon six (6) months prior written notice (the "**Prepayment Notice**") to the Corporation. Upon receipt by the Corporation of the Prepayment Notice, the Corporation shall be obliged to pay the amount set out in such Prepayment Notice to the Holder no later than six (6) months from the date of receipt of such Prepayment Notice.

4. Note Non-negotiable and Non-assignable.

The Note shall be non-negotiable and non-assignable. Notwithstanding the foregoing, this Note may be assigned by the Holder to a financial institution or lender as security for its obligations to such financial institution or lender.

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this **9** day of **December**, 2014.

**VERIDIAN CONNECTIONS INC.**

By: ____________________
Doug Dickerson, Chair

By: M.C. Angemeer
Michael Angemeer, President

**SCHEDULE "A"**

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington in the principal amount of $5,966,000 and dated March 30th, 2010.

2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering in the principal amount of $17,974,000 and dated March 30th, 2010.

3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville in the principal amount of $5,588,000 and dated March 30th, 2010.

4. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax in the principal amount of $14,060,000 and dated March 30th, 2010.

**AMENDING AGREEMENT to FIRST AMENDED AND RESTATED TERM PROMISSORY NOTE**
**Made as of March 7, 2024 ("Effective Date")**

**BETWEEN:**

**ELEXICON ENERGY INC.**
**("EE")**

**- AND -**

**ELEXICON CORPORATION**
**("EC")**

**WHERAS** Veridian Connections Inc. (as predecessor to EE) entered into a First Amended and Restated Term Promissory Note in favour of EC in the principal amount of $15,000,000 made as of December 9, 2014 and having a maturity date of December 9, 2024 (the "**Promissory Note**");

**AND WHEREAS** EE and EC wish to amend and extend the Promissory Note to provide for a different interest rate and for a later maturity date;

**AND WHEREAS** all capitalized and defined terms have the meanings ascribed to them in the Promissory Note, unless otherwise defined in this Amending Agreement;

**NOW THEREFORE IN CONSIDERATION** of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of EE and EC (together the "**Parties**"), the Parties both agree as follows:

1. The Parties agree that the recitals set out above form an integral part of this Amending Agreement.

**Maturity Date**

2. The first and third initial paragraphs of the Promissory Note are hereby amended such that the definition of "Maturity Date" in each paragraph is changed from "December 9, 2024" to "December 9, 2034".

**Interest Rate**

3. Section 1 of the Promissory Note is hereby deleted in its entirety and replaced with the following paragraph:

> "Interest on the Principal Amount of 4.58% per annum, shall accrue from and including the date hereof and shall be payable annually on the anniversary date of this Note. For greater certainty, the interest rate is based upon the Ontario Energy Board's deemed long-term debt rate for use in cost of service applications, calculated in accordance with the formulaic methodologies documented in the

Report of the Ontario Energy Board on the Cost of Capital for Ontario's Regulated Utilities issued December 11, 2009, as amended from time to time, which for greater certainty was set at 4.58% on October 31, 2023."

**General**

4. Unless otherwise expressly amended by this Amending Agreement, the terms and conditions of the Promissory Note remain in full force and effect.

5. The Parties hereby covenant, represent, and warrant that they have read this Amending Agreement and have obtained independent legal advice in connection with it and confirm that they are executing the Amending Agreement freely, voluntarily and without duress.

6. This Amending Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable herein.

7. In the event that any provision of this Amending Agreement is determined to be invalid or unenforceable, such provision shall be deemed severed from the remainder of this Amending Agreement and replaced with a valid and enforceable provision as similar in intent as reasonably possible to the provision so severed, and shall not cause the invalidity or unenforceability of the remainder of this Amending Agreement.

8. This Amending Agreement may be executed in any number of counterparts, and/or by facsimile or e-mail transmission of Adobe Acrobat files (a "PDF File"), each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the Parties have duly executed this Amending Agreement as of the date first above written.

**Elexicon Energy Inc.**

By: ______________________________
Name: Indrani J. Butany
Title: CEO and President

I/We have authority to bind the corporation

**Elexicon Corporation**

By: ______________________________
Name: Cynthia Chan
Title: Chief Financial Officer

I/We have authority to bind the corporation

**FIFTH AMENDED AND RESTATED PROMISSORY NOTE**

PRINCIPAL AMOUNT: $17,974,000 MATURITY DATE: Due on demand

WHEREAS on November 1, 1999, Veridian Connections Inc. ("**Predecessor Issuer**") issued to The Corporation of the City of Pickering (the "**Municipality**") a promissory note in the principal amount of $17,974,000.00 pursuant to the Municipality's By-law No. 5586/99 as amended by By-Law 7447/15 (the "**Original Note**");

AND WHEREAS on April 1, 2019 (the "**Issue Date**") the Predecessor Issuer amalgamated with Whitby Hydro Electric Corporation to form Elexicon Energy Inc. (the "**Issuer**");

AND WHEREAS this Note amends and restates the terms of, and does not extinguish the debt created pursuant to, the Original Note.

FOR VALUE RECEIVED, the Issuer acknowledges itself indebted and hereby promises to pay the Municipality, or its assigns, at its offices at 1 The Esplanade, Pickering, ON L1V 3P4 (or such other place as the Municipality may direct the Issuer in writing) the principal sum of $17,974,000.00, in lawful money of Canada (the "**Principal Amount**"), together with interest thereon.

For the ten year period commencing as of the date of this Note, interest shall be calculated at the deemed long-term interest rate prescribed by the Ontario Energy Board in its most recent cost of capital parameter update (the "**Deemed Long-Term Rate**"). On the tenth anniversary of the date of this Note, the interest rate per annum shall be adjusted to the Deemed Long-Term Rate in effect at that time. Thereafter, the interest rate per annum shall be adjusted to match the then-current Deemed Long-Term Rate in effect at the earlier of (i) the five (5) year anniversary of the most recent interest rate adjustment date of this Note, and (ii) the date (following the most recent interest rate adjustment of the Note) on which Elexicon Energy Inc. files a cost of service application with the Ontario Energy Board.

Upon the written request by the Issuer to the Municipality, the interest rate and the terms upon which interest is payable may be subject to re-negotiation from time to time as a result of regulatory changes. Any amendment to the interest rate or the terms upon which interest is payable shall be mutually agreed to by the Municipality and the Issuer in writing.

This Note shall rank equally in all respects as to the payment of principal and interest hereunder with the promissory notes issued by the Issuer to The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington and The Corporation of the Town of Whitby described in the Schedule hereto.

The Municipality has the option of calling for the repayment of the Principal Amount together with any accrued interest, in whole or part, with sixty days' prior written notice. The schedule of interest payments would change in the event of a partial repayment of the Principal Amount. Any written notice or communication to be given or delivered by the Municipality shall be deemed to be duly given and delivered to the Issuer when delivered by hand to the following address:

Elexicon Energy Inc.
55 Taunton Road East
Ajax, Ontario L1T 3V3

Attention: Chief Financial Officer

The Issuer shall have the option of prepaying the Principal Amount at any time, in whole or in part, with the prior written consent of the Municipality.

This Note shall be binding upon the Issuer and its successors and assigns. This Note may be assigned by the Issuer with the prior written consent of the Municipality.

In the event of the consolidation, amalgamation or merger of the Issuer with any other corporation or the sale of a majority of the issued and outstanding shares in the capital of the Issuer, the balance of the Principal Amount together with accrued interest on this Note shall become due and payable on closing of any consolidation, amalgamation, merger or transfer of the majority of the issued and outstanding shares in the capital of the Issuer.

This Note shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

*[signature page follows]*

IN WITNESS WHEREOF Elexicon Energy Inc. has caused this Note to be duly executed as of the Issue Date.

**ELEXICON ENERGY INC.**

By: ______________________________

**SCHEDULE**

- Fifth Amended and Restated Term Promissory Note issued to Ajax ($14,060,000);
- Fifth Amended and Restated Term Promissory Note issued to Belleville ($5,588,000);
- Fifth Amended and Restated Term Promissory Note issued to Clarington ($5,966,000);
- First Amended and Restated Term Promissory Note issued to Whitby ($1,460,300);
- First Amended and Restated Term Promissory Note issued to Whitby ($5,061,000); and
- First Amended and Restated Term Promissory Note issued to Whitby ($21,816,642).

35577958.2