



**HYDRO ONE INC.**

**Short Term Promissory Notes**

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**INFORMATION MEMORANDUM**

This Information Memorandum is not, and under no circumstances is to be construed as, an offering of Short Term Promissory Notes for sale in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction or to any citizen or resident of the United States of America. The Short Term Promissory Notes will not be sold outside of Canada or to any person who is not resident in Canada or to any person purchasing for resale to, or for the account or benefit of, any person who is not resident in Canada.

This Information Memorandum does not in any way obligate Hydro One Inc. to accept an offer to purchase any of the Short Term Promissory Notes. No person has been authorized to give any information or to make any representation not contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized.

**August 30, 2000**

## HYDRO ONE INC.

Hydro One Inc. (the “Corporation”) is an electricity transmission, distribution and energy services company wholly-owned by the Province of Ontario (the “Province”). The Corporation principally transports electricity generated by other participants in the electricity industry. The Corporation is one of the successor corporations to Ontario Hydro, which was the primary provider of both electricity generation and transmission services and a major provider of distribution services in Ontario from 1906 until April 1, 1999. The Corporation was formed as part of a major restructuring of the Ontario electricity industry that is expected to result in Ontario’s wholesale and retail electricity markets becoming open to competition in 2001.

Through its subsidiaries, the Corporation owns and operates Ontario’s high-voltage electricity transmission system and a largely rural low-voltage distribution system operating throughout Ontario. The Corporation’s distribution system serves approximately 934,000 retail electricity customers, comprised of residential, commercial, industrial and agricultural consumers of electricity. Based on the Corporation’s total assets in excess of \$10 billion as at December 31, 1999, the Corporation owns and operates one of the ten largest electricity transmission and distribution systems in North America. The Corporation’s transmission and distribution businesses are regulated by the Ontario Energy Board.

The Corporation was incorporated as Ontario Hydro Services Company Inc. under the *Business Corporations Act* (Ontario) on December 1, 1998. On May 1, 2000, the Corporation changed its name to Hydro One Inc. The Corporation’s registered and principal office is located on the 10th Floor, 483 Bay Street, Toronto, Ontario M5G 2P5.

The Corporation is not an agent of the Province. Accordingly, the Notes will not be obligations of nor will they be guaranteed by the Province of Ontario.

### DESCRIPTION OF THE SHORT TERM PROMISSORY NOTES

**Principal Amount:** The maximum aggregate principal amount of short term promissory Notes (the “Notes”) outstanding at any one time will not exceed \$1,000,000,000 in Canadian currency or the equivalent thereof in other currencies at the time of issue.

**Purpose:** The net proceeds from the sale of the Notes will be used by the Corporation for general corporate purposes.

**Form of Notes:** The Notes may be issued at the option of Corporation in (a) negotiable form, payable to bearer or to the order of a purchaser thereof, or (b) “book entry only” form (the “Book Entry Notes”), in which case such Notes must be purchased or transferred through participants (“Participants”) in The Canadian Depository for Securities Limited (“CDS”) debt clearing service, which Participants include securities brokers and dealers, and banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions (“Indirect Participants”) that maintain custodial relationships with a Participant, either directly or indirectly.

The Notes may be interest bearing or issued at a discount to mature at the principal amount.

The Corporation will cause the Book Entry Notes to be delivered to, and registered in the name of, CDS or its nominee. Each purchaser of a Book Entry Note will receive a customer confirmation of purchase from the registered dealer from whom such Note is purchased in accordance with the practices and procedures of that registered dealer. Practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

No holder of Book Entry Notes will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that person’s interest in or ownership of such Note, or will be shown on the records maintained by CDS, except through an agent of the holder who is a Participant or an Indirect Participant of CDS. Registration of interests in and transfers of Book Entry Notes will only be made through the debt clearing service of CDS. All payments on Book Entry Notes by the Corporation will be made by the

Corporation to the Corporation's authorized issuing agent, which will then make payments to CDS, and such payments will be forwarded by CDS to its Participants, by Participants to holders of Book Entry Notes or, where applicable, by Participants to Indirect Participants and thereafter to holders of Book Entry Notes.

Neither the Corporation nor the registered dealers will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Book Entry Notes held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Book Entry Notes; or (c) any advice or representation made by or with respect to CDS including those contained in this Information Memorandum and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants, and CDS has a statutory duty to enforce payment of the Notes on behalf of the Participants. As a result, Participants must look solely to CDS and holders of Book Entry Notes must look solely to Participants for the payment of the principal and interest on the Book Entry Notes once such payment is made by or on behalf of the Corporation to CDS.

The ability of a holder to pledge Book Entry Notes or take action with respect thereto (other than through a Participant or an Indirect Participant) may be limited due to the lack of physical certificates.

The Corporation will have the option to terminate the book entry system through CDS, in which case Notes in certificated form payable to bearer or to the order of a holder thereof will be issued to holders of Book Entry Notes or their nominees.

As of the date of this Information Memorandum, only Notes payable in Canadian dollars are eligible to be Book Entry Notes. Notes payable in currencies other than Canadian dollars will be issued in certificated form payable to bearer or to a named payee. If CDS and its Participants decide to introduce non-Canadian dollar short term promissory notes into the CDS debt clearing service in the future, Notes in certificated form will then be issued in "book-entry" form on the same basis as that described above for the Book Entry Notes.

The Book Entry Notes will be subject to the *Depository Bills and Notes Act* (Canada).

- Denominations:** Multiples of \$1,000, subject to a minimum aggregate of \$100,000 in Canadian currency or the equivalent thereof in other currencies at the time of issue.
- Maturities:** Up to 365 days from date of issue.
- Rates:** Available upon request.
- Delivery:** Delivery of Notes in certificated form will be made against payment by certified cheque and may be arranged for same day delivery to the purchaser or its agent through The Toronto Dominion Bank in Toronto. In other principal cities in Canada, delivery will be made by letter of undertaking. Delivery of Book Entry Notes will be made in accordance with the rules established by CDS.
- Payment:** At maturity, payment of the principal of, and interest on, Notes in certificated form will be made in the currency of issue at the branches of The Toronto Dominion Bank. All payments on Book Entry Notes will be made in accordance with the rules established by CDS.
- Liquidity:** The Corporation maintains lines of credit in amounts sufficient for its operations, including its commercial paper activity.

**Eligibility:**

As outlined and qualified in the opinion of Osler, Hoskin & Harcourt LLP counsel to the Corporation, which opinion forms part of this Information Memorandum, the Notes are, at the date on which the opinion is provided, either not precluded as investments under or are authorized investments under:

- (a) *Insurance Companies Act* (Canada);
- (b) *Trust and Loan Companies Act* (Canada);
- (c) *Pension Benefits Standards Act, 1985* (Canada);
- (d) *Pension Benefits Act* (Ontario);
- (e) *Loan and Trust Corporations Act* (Ontario);
- (f) *An Act respecting insurance* (Quebec);
- (h) *An Act respecting trust companies and savings companies* (Quebec);
- (j) *Supplemental Pension Plans Act* (Quebec);
- (k) *Employment Pension Plans Act* (Alberta);
- (l) *Loan and Trust Corporations Act* (Alberta); and
- (n) *Financial Institutions Act* (British Columbia).

**Rating:**

The following rating is given as of the date hereof and is subject to change without notice:

<u>Agency</u>	<u>Rating</u>
Moody's Investor Service . . . . .	P-1
Standard & Poor's Corporation . . . . .	A-1+
Canadian Bond Rating Service . . . . .	A-1
Dominion Bond Rating Services Limited . . . . .	R-1 (low)

**HYDRO ONE INC.**

**Extract From the Corporation's Borrowing By-laws  
By-Law No. 2**

A by-law respecting the borrowing of money, the issuing of securities and the securing of liabilities by Hydro One Inc. ("the Corporation").

**BE IT ENACTED** as a by-law of the Corporation as follows:

1. Without limiting the borrowing powers of the Corporation as set forth in the *Business Corporations Act* (Ontario) ("the Act"), but subject to its articles of incorporation and any unanimous shareholder agreement, the directors may from time to time on behalf of the Corporation:

- (a) borrow money or otherwise obtain credit upon the credit of the Corporation in such amounts and upon such terms as may be considered advisable;
- (b) issue, re-issue, sell or pledge debt obligations of the Corporation, including without limitation, bonds, debentures, debenture stock, notes or other securities or obligations of the Corporation, whether secured or unsecured, for such sums, upon such terms, covenants and conditions and at such prices as may be deemed expedient;
- (c) to the extent permitted by the Act, give directly or indirectly financial assistance to any person by means of a loan, guarantee or otherwise to secure any present or future indebtedness or liability of any person, firm or corporation, in either limited or unlimited amount and either with or without security; and
- (d) charge, mortgage, hypothecate, pledge, assign, transfer or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including among other things, book debts, rights, powers, franchises and undertakings, to secure any obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

2. Subject to the Act, the articles of incorporation, the by-laws and any unanimous shareholder agreement, the board may from time to time delegate to a committee of the board, one or more of the directors and officers of the Corporation or any other person or persons as may be designated by the board all or any of the powers conferred on the board by section 1 of this by-law or by the Act to such extent and in such manner as the board may determine at the time of each such delegation.

3. The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of a borrowing by-law.

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The undersigned, Secretary of Hydro One Inc., hereby certifies that (i) the foregoing is a true and correct copy of an extract from By-law No. 2 of the Corporation duly enacted and passed by the Board of Directors of the Corporation at a meeting duly called and held on the 16th day of March, 1999, (ii) such By-law has not been amended or repealed, and (iii) such By-law is in full force and effect as of the date hereof.

Dated the 30th day of August, 2000.



JOAN M. PRIOR  
Secretary

**HYDRO ONE INC.**

**Resolution Authorizing the Issue and Sale of the  
Short Term Promissory Notes**

**RESOLVED THAT:**

1. The Corporation borrow money by the issuance and sale of Commercial Paper in the form of unsecured promissory notes (the "Notes"), whether in certificated form or "book entry form", each Note to be in a denomination not less than \$100,000 and in integral multiples of \$1,000, in lawful money of Canada or the equivalent thereof in other currencies, and to have a maturity date of not more than 365 days from the date of its issue; provided that the aggregate principal amount of such Notes outstanding at any time shall not exceed the sum of \$1,000,000,000 in lawful money of Canada or the equivalent thereof in other currencies at the time of issue; and provided further that such limitation as to aggregate principal amount shall be directory only and shall not in any way limit the rights of a holder of any such Notes;

2. Any one of the President & Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer be authorized on behalf of the Corporation (i) to execute, either by manual or facsimile signature, and deliver Notes in such amounts and upon such terms (including maturity dates and rates of interest or discount) as they may determine, such determination to be conclusively evidenced by their execution thereof, (ii) in the case of Notes issued in certificated form, to designate and authorize by instruments in writing one or more banks, trust companies or other agents to authenticate or countersign the Notes on behalf of the Corporation and to deliver the same to the purchaser or purchasers thereof, and (iii) to execute and deliver any or all other documents in any way relating to any money so borrowed;

3. Any Note executed by the Corporation in accordance with the provisions of this resolution and, in the case of Notes issued in certificated form only, authenticated or countersigned by either manual or facsimile signature on behalf of the Corporation, shall constitute a valid and binding obligation of the Corporation enforceable in accordance with its terms notwithstanding that, at any time after execution of such Note, any person duly authorized to execute or authenticate or countersign the same may cease to hold the office or position held by such person at the time he or she executed or authenticated or countersigned such Note;

4. The Information Memorandum shall be substantially in the form attached hereto as Attachment "B" with such changes, additions, and deletions as the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer may approve;

5. The Corporation is hereby authorized to enter into a Dealer Agreement with a group of securities dealers for the purposes of issuance and sale of Notes and providing for a fee payable to the group of securities dealers on a commission basis in an amount not to exceed 12.5 bps per annum of the par amount of the Notes issued for the period from the date of issuance of such Notes to the date of its actual maturity, and any one of the President and Chief Executive Officer, Chief Financial Officer or Treasurer are hereby authorized and directed to execute and deliver the Dealer Agreement;

6. Any one of the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer are hereby authorized to do all acts and things and to execute and deliver or caused to be executed and delivered such agreements, instruments and documents as such officer may consider necessary or desirable in connection with the foregoing, including without limitation, the Issuing and Paying Agent Agreement and any documentation contemplated by the Information Memorandum and Dealer Agreement, such execution and delivery on behalf of the Corporation by such officer shall be deemed to be conclusive evidence of such authorization; and

7. The specific powers and authorities granted by the foregoing resolutions shall be deemed to be in supplement of and not in substitution for any power and authority heretofore granted in respect of the issuance of debt by the Corporation."

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The undersigned, Secretary of Hydro One Inc., hereby certifies that the foregoing is a true and correct copy of an extract from a resolution passed by the Board of Directors of the Corporation at a meeting duly called and held on the 11th day of July, 2000, and that such resolution is in full force and effect as of the date hereof.





Dated the 30th day of August, 2000.



JOAN M. PRIOR  
Secretary

**HYDRO ONE INC.**

**Certificate of Incumbency and Signatures of Officers**

<u>Name</u>	<u>Office</u>	<u>Signature</u>
ELEANOR R. CLITHEROE	President & Chief Executive Officer	
MALEN S. NG	Executive Vice President & Chief Financial Officer	
JOAN M. PRIOR	Executive Vice President, General Counsel & Secretary	
ALI R. SULEMAN	Treasurer	

I, Joan Prior, being Executive Vice President, General Counsel and Secretary of Hydro One Inc. (the "Corporation"), hereby certify on behalf of the Corporation that the persons named above have been duly elected or appointed to the offices in the Corporation set forth opposite their respective names, that such persons are now holding the said offices and that the signatures set forth opposite their respective names are true specimens or true reproductions of the respective signatures of such officers.


Dated the 30th day of August, 2000.



JOAN M. PRIOR  
Executive Vice President,  
General Counsel and Secretary

I, Malen Ng, being the Executive Vice President and Chief Financial Officer of the Corporation hereby certify that Joan M. Prior is the duly appointed Executive Vice President, General Counsel and Secretary of the Corporation and that the signature appearing beside her name above is her genuine signature.

Dated this 30th day of August, 2000.



MALEN NG  
Executive Vice President and  
Chief Financial Officer

### **Rights of Rescission or Damages for Purchasers in Nova Scotia**

Purchasers of Notes resident in the Province of Nova Scotia have the following rights:

Where this Information Memorandum or any amendment hereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) in respect of the Notes contains a misrepresentation, a purchaser to whom the Information Memorandum has been delivered and who purchases Notes shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has a right of action for damages against the seller but may elect to exercise a right of rescission against the seller, in which case the purchaser shall have no right of action for damages against the seller, provided that:

- (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the Notes with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the Notes were offered.

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) and is in addition to and without derogation from any right the purchaser may have at law.

Pursuant to section 146 of the *Securities Act* (Nova Scotia), no action shall be commenced to enforce the right of action conferred by section 138 thereof unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the Notes or after the date on which the initial payment for the Notes was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

For the purposes of the *Securities Act* (Nova Scotia) “misrepresentation” means

- (i) an untrue statement of material fact, or
- (ii) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Hydro One Inc.  
10th Floor  
483 Bay Street  
Toronto, Ontario  
M5G 2P5

August 30, 2000

Dear Sirs:

**Re: Issue of Short Term Promissory Notes**

We have acted as counsel to Hydro One Inc. (the “Corporation”) in connection with the authorization and proposed issue and sale in all provinces of Canada by the Corporation of negotiable short term promissory notes (the “Notes”) having maturity dates not more than 365 days from their respective dates of issue and being in denominations or principal amounts of not less than \$100,000 in lawful money of Canada, or the equivalent thereof at the date of issue in any other currency. The Notes may be issued in certificated form, payable to the bearer or to a specified payee, or may be issued in “book entry only” form. Each Note will also have the terms more particularly described and referred to in the Corporation’s Information memorandum (the “Information Memorandum”) dated August 30, 2000 with respect to the proposed sale of the Notes, of which this opinion forms part, and will be in the form of one of the specimen forms of the Notes included in the Information Memorandum. The Corporation has limited the aggregate principal amount of Notes which may be outstanding at any time to \$1,000,000,000 in Canadian funds or the equivalent amount in any other currency at the date of issue and the Notes are not convertible or exchangeable into or accompanied by a right to purchase another security.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of the articles of incorporation of the Corporation, the articles of amendment of the Corporation, the by-laws of the Corporation, a certified copy of a resolution passed by the directors of the Corporation relating to the offering of the Notes, the forms of the Notes set forth in the Information Memorandum, and such other public and corporate records, certificates, statutes, regulations and other documents as we have considered necessary or appropriate for the purposes of this opinion. In such examinations we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, the conformity to authentic originals of all documents submitted to us as certified, notarial or true copies or facsimiles thereof and the veracity of all information contained in such documents. We have further assumed that (i) the Corporation is not a “market intermediary” as such term is defined in the *Securities Act* (Ontario) and the *Securities Act* (Newfoundland) or will be registered under that Act in an appropriate category permitting the distribution of Notes directly by the Corporation in the Province of Newfoundland; (ii) any person or company that offers and sells the Notes in the Province of Manitoba and holds a restricted registration under *The Securities Act* (Manitoba) is authorized to trade in the Notes pursuant to such restricted registration; and (iii) the Corporation is not required and does not intend to file the Information Memorandum with either (A) the securities regulatory authorities in any jurisdiction other than British Columbia and Quebec; or (B) any stock exchange.

As to various questions of fact relevant to our opinion which we have not verified independently, we have relied upon certificates of, or letters from, government officials or the Corporation or its officers.

As to matters of law in the provinces of Canada other than Ontario and Alberta, we have relied upon opinions of counsel in such provinces. To the extent that such opinions are based on any assumption or are made subject to any

limitation or qualification, this opinion is based on the same assumption and is subject to the same limitation or qualification. Except to the extent this opinion is rendered in reliance on the opinions of counsel described above, this opinion is rendered solely with respect to the laws of the Provinces of Ontario and Alberta and the federal laws of Canada applicable therein in effect on the date hereof.

In expressing the opinions set forth in paragraph 1 below that the Corporation is a corporation incorporated under the laws of the Province of Ontario, we have relied upon a Certificate of Status issued by the Ontario Ministry of Consumer and Commercial Relations dated August 30, 2000.

With respect to the opinion expressed in paragraph 3, the enforceability of the Notes may be limited by (i) any applicable bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of the court of competent jurisdiction; (iii) the equitable or statutory power of the court having jurisdiction to stay proceedings before it and the execution of judgements; (iv) the applicable laws regarding limitations of actions; and (v) with respect to Notes payable in a currency other than that of Canada, the *Currency Act* (Canada), which provides that judgement in courts in Canada may be obtained only in Canadian currency.

Based upon the foregoing, we are of the opinion that:

1. The Corporation is a corporation incorporated under the *Business Corporations Act* (Ontario).
2. The Corporation has all necessary corporate power to create and issue the Notes and all necessary corporate action has been taken by the Corporation to authorize the borrowing of money through the sale of the Notes and the creation, issue and delivery of the Notes.
3. The Notes, in the specimen forms set forth in the Information Memorandum when (i) duly executed, either manually or by facsimile signature, by any one of the President and Chief Executive Officer, the Chief Financial Officer or the Treasurer, (ii) in the case of Notes in certificated form, authenticated or countersigned by an authorized signatory of an issuing agent of the Corporation duly appointed by the Corporation and (iii) delivered by or on behalf of the Corporation for value, will constitute valid and binding obligations of the Corporation enforceable in accordance with their terms.
4. The French language texts of the Information Memorandum and the specimen forms of Notes are, in all material respects, reasonable and proper translations of the respective English language texts thereof and the said French and English language texts are not susceptible of materially different interpretations with respect to any material matter contained therein. All laws of the Province of Quebec relating to the use of the French language will have been complied with in connection with, the offer and sale of the Notes provided that (a) purchasers of the notes receive Notes in bilingual form and (b) prospective purchasers of the Notes have received copies of the English and French language versions of the Information Memorandum delivered at the same time or copies of the French language version thereof only or, in the case of individuals so requesting in writing, copies of the English language version only.
5. The Corporation may either directly or through agents (which agents, however, must be either properly registered dealers or exempt from registration requirements in the case of sales of Notes in Manitoba, Ontario, Quebec, and Newfoundland) offer and sell the Notes:
  - (a) in Nova Scotia (other than to individual members of the public and in accordance with Blanket Order No. 44 of the Nova Scotia Securities Commission dated February 19, 1997 (the "Blanket Order")), Alberta, Manitoba, Ontario, Prince Edward Island and Newfoundland;

- (b) in Nova Scotia to individual members of the public, in accordance with the Blanket Order, and in British Columbia, provided that the notes have a credit rating from one of the following rating agencies set out below that is equal to or higher than the level indicated below:

<u>Rating Agency</u>	<u>Rating</u>
Canadian Bond Rating Service . . . . .	A-1 (low)
Dominion Bond Rating Services Limited . . . . .	R-1-L
Moody's Investor Services, Inc. . . . .	P-1
Standard & Poor's Corporation . . . . .	A-1

and the Corporation or any of its agents offering and selling the Notes does not know and ought not reasonably to know that there has been an announcement by the rating agency referred to herein that the credit rating of the Notes may be down-graded to a level below the level indicated herein;

- (c) in Saskatchewan provided that:
- (i) the Notes are not convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in clause 39(2)(e) of *The Securities Act, 1988* (Saskatchewan);
- (ii) the Notes have been rated by one or more of the following rating agencies to have a level of at least equal to the following levels:

<u>Rating Agency</u>	<u>Rating</u>
Canadian Bond Rating Service . . . . .	A-1
Dominion Bond Rating Services Limited . . . . .	R-1 (low)
IBCA Limited (now Fitch IBCA) . . . . .	A-1
Moody's Investor Services, Inc. . . . .	P-1
Standard & Poor's Corporation . . . . .	A-1

- (iii) the Corporation or any of its agents offering and selling the Notes does not know or ought not reasonably to know that there has been an announcement by any such rating agency that the rating will be down graded below the levels set forth in subparagraph 5(c)(ii); and
- (iv) neither the Corporation nor any agent of the Corporation offering Notes is in default of any requirement of *The Securities Act, 1988* (Saskatchewan), the regulations thereunder or a decision of the Saskatchewan Securities Commission;
- (d) to the public in Quebec and Manitoba; and
- (e) if the purchaser is resident in New Brunswick, and the aggregate acquisition cost of the Notes to the purchaser is not less than \$97,000 in Canadian funds or its equivalent and that purchaser purchases as principal;

without making any filing under, or registering with, any governmental or public body or authority pursuant to the securities legislation in such provinces, except for the filing of the Information Memorandum and any other disclosure documents delivered to purchasers with the Commission des valeurs mobilières du Québec and the filing of the Information Memorandum with the British Columbia Securities Commission.

6. Subject to the general investment provisions and restrictions of the legislation to which reference hereinafter is made, Notes in the forms contained in the Information Memorandum, when issued and delivered as provided in paragraph 3 of this opinion, are, at the date hereof, investments:
- (a) in which the provisions of the *Insurance Companies Act* (Canada) would not preclude a company or society (as defined in that Act) from investing its funds, subject to compliance with the investment and lending policies, standards and procedures established by the directors of that company or society in accordance with that Act;

- (b) in which the provisions of the *Insurance Companies Act* (Canada) would not preclude a foreign company (as defined in that Act) from investing for the purpose of including the Notes among its assets in Canada vested in trust, subject to compliance with the investment and lending policies, standards and procedures established by that foreign company in accordance with that Act;
- (c) the provisions of the *Trust and Loan Companies Act* (Canada) would not preclude a company (as defined in that Act) from investing its funds, subject to compliance with the investment and lending policies, standards and procedures established by the directors of the company in accordance with that Act;
- (d) the provisions of the *Pension Benefits Standards Act, 1985* (Canada) and the Regulations thereunder would not preclude a pension plan regulated or registered under that Act from investing its funds, subject to compliance with the prudent investment standards and the general investment provisions of that Act, and, provided that, when required, such an investment is in conformity with any investment policies and procedures established by the administrator of the pension plan pursuant to that Act;
- (e) the provisions of the *Loan and Trust Corporations Act* (Ontario) and the Regulations thereunder would not preclude, subject to compliance with prudent investment standards contained in section 154 thereof, a loan corporation and a trust corporation registered under that Act from investing, provided that written procedures to ensure that prudent investment standards are applied have been established and filed under that Act;
- (f) the provisions of the *Pension Benefits Act* (Ontario) and the Regulations thereunder would not subject to compliance with the prudent investment standards of that Act, preclude the funds of a pension plan regulated thereunder from being invested in the Notes, provided that either (i) a statement of investment policies and goals required to be filed under that Act or the Regulations for that plan has been filed, and provided further that the investments are within a category or sub-category of investment specifically permitted by, and for which guidelines are established in, such statement, or (ii) the investment is in conformity with any investment policies and procedures established by the administrator of that plan that meet the requirements of the *Pension Benefits Standards Act, 1985* (Canada) as it read on December 31, 1999;
- (g) the provisions of *an Act respecting insurance* (Quebec) would not preclude an insurer (as defined in that Act) incorporated under an act of Quebec (other than a guarantee fund) from investing, provided that the prudent investment standards contained in such Act are satisfied and provided that such investment is in conformity with such insurer's investment policy established pursuant to such Act, but subject to the requirement that an insurer shall effect its investments in its name unless such investments are effected through a clearing house recognized by the Inspector General of Financial Institutions of Quebec, or unless, at the request of an insurer, the Inspector General of Financial Institutions of Quebec grants an exemption from such requirement;
- (h) the provisions of *an Act respecting trust companies and savings companies* (Quebec) would not preclude a savings company or a trust company, as defined thereunder, from investing its own funds and deposits it receives, subject to compliance with the prudent investment standards and provided that investments made by a Quebec company (as defined in that Act) are made in compliance with the investment policy established pursuant to such Act;
- (i) the provisions of the *Supplemental Pension Plans Act* (Quebec) would not preclude the assets of a pension plan registered thereunder from being invested, subject to compliance with the investment standards contained in such Act and the written investment policy established pursuant to such Act and subject to the requirement that all investments of the assets of a pension fund must be made in the name of the pension fund or for its account;
- (j) the provisions of the *Loan and Trust Corporations Act* (Alberta) and the Regulations thereunder would not preclude, subject to compliance with the prudent investment standards of that Act, a provincial corporation, as defined under such Act, from investing, provided that such an investment is consistent with the investment policies and procedures established by such provincial corporation in accordance with that Act;

OSLER,  
HOSKIN &  
HARCOURT

- (k) the provisions of the *Employment Pension Plans Act* (Alberta) and the Regulation thereunder provide that a pension plan governed by that Act may invest its assets pursuant to subsection 50(3) of the Regulation thereunder, which subsection incorporates by reference the provisions of Schedule III to the *Pension Benefits Standards Regulations, 1985* (Canada), provided that such an investment is consistent with the investment policies and procedures established by the administrator of the pension plan pursuant to the *Employment Pension Plans Act* (Alberta); and
- (l) the provisions of the *Financial Institutions Act* (British Columbia) and the regulations thereunder would not preclude a financial institution (as defined in such Act) from making an investment in the Notes provided that the financial institution adheres to prudent standards within the meaning of such Act in making investment and lending decisions and provided further that the financial institution has established a written investment and lending policy which complies with such Act and the regulations thereunder and the investment in the Notes is consistent with that investment and lending policy.

This opinion is given as of the date hereof and reliance on this opinion as to Notes issued after the date hereof must be on the assumption that there has been no change in the law or in the factual matters on which the opinion is based.

Yours truly,

*Osler, Hoskin & Harcourt LLP*

DMA

**CERTIFICATED FORM  
SOUS FORME DE CERTIFICAT**

**hydroOne**

No. \_\_\_\_\_ NOTE  
N<sup>o</sup> \_\_\_\_\_  
BILLET

**DISCOUNT/INTEREST BEARING NOTE  
BILLET À DÉCOTE / PORTANT INTÉRÊT**

Issue Date (D/M/Y)  
*Date d'émission (J/M/A)*

Due Date (M/D/Y)  
*Date d'échéance (M/J/A)*

**HYDRO ONE INC.**, for value received, hereby promises  
*contre valeur reçue, promet*

to pay to or to the order of:  
*par les présentes de payer à :*

on the due date, the sum of  
*à la date d'échéance, la somme de*

Dollars  
dollars

in lawful money of  
*ou à son ordre, en monnaie légale de*

with, in the case of an Interest Bearing Note, interest thereon  
*avec, dans le cas d'un billet portant intérêt, intérêt sur celui-ci*  
at the rate of \_\_\_\_\_  
*au taux de \_\_\_\_\_*

Per cent ( %) per annum, from the Issue Date hereof to the Due Date,  
*pour cent ( %) par année, à compter de la date d'émission des présentes jusqu'à la date d'échéance,*

upon due presentation and surrender of this promissory note at the main branch of The Toronto-Dominion Bank in  
*lors de la présentation et remise en bonne et due forme du présent billet à ordre à la succursale principale de La Banque Toronto-Dominion à*

The aforesaid interest rate is calculated on the basis of a year of 365 days if the Note is denominated in Canadian currency and the yearly rate of interest on a U.S. currency Note is the rate previously stated multiplied by the number of days in the year and divided by 360.  
*Le taux d'intérêt précité est calculé à raison d'une année de 365 jours si le billet est libellé en monnaie canadienne et le taux d'intérêt annuel sur un billet en monnaie américaine est le taux déjà indiqué, multiplié par le nombre de jours durant l'année et divisé par 360.*

This promissory note shall become valid only when manually authenticated or countersigned on behalf of HYDROONE INC. by its authorized issuing agent.  
*Le présent billet à ordre ne deviendra valide que lorsqu'il aura été authentifié ou contresigné à la main pour le compte de HYDROONE INC., par son agent émetteur autorisé.*

**HYDRO ONE INC.**  
By its authorized issuing agent, / *Par son agent émetteur autorisé,*

**HYDRO ONE INC.**  
  
By / par \_\_\_\_\_  
President and Chief Executive Officer / *Présidente et chef de la direction*

This promissory note shall be interpreted and governed exclusively in accordance with the laws of Ontario and of Canada applicable therein.  
*Le présent billet à ordre sera interprété et régi exclusivement conformément aux lois de l'Ontario, ainsi qu'aux lois du Canada s'appliquant dans cette province.*

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"). NEITHER THIS NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON (AS EACH SUCH TERM IS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT). THIS NOTE WILL NOT BE SOLD OUTSIDE CANADA OR TO ANY PERSON WHO IS NON-RESIDENT OF CANADA (AS SUCH TERM IS DEFINED UNDER THE *INCOME TAX ACT (CANADA)*). BY ACCEPTING THIS NOTE, THE HOLDER REPRESENTS AND WARRANTS THAT IT (I) IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER) (II) IS NOT HOLDING SUCH NOTE FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER) AND (III) IS NOT A NON-RESIDENT OF CANADA (AS SUCH TERM IS DEFINED UNDER THE *INCOME TAX ACT (CANADA)*).

LE PRÉSENT BILLET N'A PAS ÉTÉ NI NE SERA ENREGISTRÉ EN VERTU DE LA LOI DES ÉTATS-UNIS INTITULÉE *SECURITIES ACT OF 1933 (LA LOI DE 1933)*. NI LE PRÉSENT BILLET NI AUCUNE PARTIE DE CELUI-CI NE PEUT ÊTRE OFFERT OU VENDU AUX ÉTATS-UNIS OU À UNE PERSONNE DES ÉTATS-UNIS (AU SENS DE L'EXPRESSION CORRESPONDANTE DANS LES RÈGLEMENTS EN VERTU DE LA LOI DE 1933). LE PRÉSENT BILLET NE SERA PAS VENDU À L'EXTÉRIEUR DU CANADA NI À AUCUNE PERSONNE QUI EST UN NON-RÉSIDENT DU CANADA (AU SENS DE CETTE EXPRESSION EN VERTU DE LA *LOI DE L'IMPÔT SUR LE REVENU (CANADA)*). EN ACCEPTANT LE PRÉSENT BILLET, LE PORTEUR DÉCLARE ET AFFIRME (I) QU'IL N'EST PAS UNE PERSONNE DES ÉTATS-UNIS (SAUF UN BÉNÉFICIAIRE DISPENSÉ DÉCRIT À L'ARTICLE 6049(b)(4) DE L'*INTERNAL REVENUE CODE* ET DES RÈGLEMENTS EN VERTU DE CELUI-CI), (II) QU'IL NE DÉTIENT PAS CE BILLET POUR UNE PERSONNE DES ÉTATS-UNIS OU POUR SON COMPTE (SAUF UN BÉNÉFICIAIRE DISPENSÉ DÉCRIT À L'ARTICLE 6049(b)(4) DE L'*INTERNAL REVENUE CODE* ET DES RÈGLEMENTS EN VERTU DE CELUI-CI), ET (III) QU'IL N'EST PAS UN NON-RÉSIDENT DU CANADA (AU SENS DE CETTE EXPRESSION EN VERTU DE LA *LOI DE L'IMPÔT SUR LE REVENU (CANADA)*).

**BOOK-ENTRY ONLY FORM  
MODÈLE DE BILLET RELEVÉ**

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**HYDRO ONE INC.**

By / par   
President and Chief Executive Officer / Présidente et chef de la direction

This promissory note shall be interpreted and governed exclusively in accordance with the laws of Ontario and Canada applicable therein.  
This is a depository note subject to the *Depository Bills and Notes Act* (Canada).

*Le présent billet sera interprété et régi exclusivement conformément aux lois de l'Ontario, ainsi qu'aux lois du Canada s'appliquant dans cette province et est un billet de dépôt assujéti à la Loi sur les lettres et billets de dépôt (Canada).*