

- (a) to create the following series of Preferred Shares:
 - (i) an unlimited number of Series 1 Preferred Shares; and
 - (ii) an unlimited number of Series 2 Preferred Shares; and
- (b) to provide that the Series 1 Preferred Shares and Series 2 Preferred Shares created hereby shall have the rights, privileges, restrictions and conditions as set out in Schedule A attached.

SCHEDULE A
HYDRO ONE LIMITED
(the “Corporation”)

SERIES 1 PREFERRED SHARE TERMS

1. Designation

The first series of the Preferred Shares shall consist of an unlimited number of shares designated as Series 1 Preferred Shares and in addition to the rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class, shall have the right, privileges, restrictions and conditions described below (the “Series 1 Provisions”).

2. Consideration for Issue

The consideration for the issue of each Series 1 Preferred Share shall be \$25.00.

3. Dividends

(a) *Payment of Dividends* - The holders of the Series 1 Preferred Shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the Board of Directors out of the money of the Corporation properly applicable to the payment of dividends, cumulative dividends at the rates herein provided.

(i) During the Initial Fixed Rate Period, dividends on the Series 1 Preferred Shares will be payable quarterly on each Dividend Payment Date at the Initial Fixed Dividend Rate. Accordingly, on each Dividend Payment Date during the Initial Fixed Rate Period, other than February 20, 2016, the dividend payable will be equal to \$0.265625 per share. The amount payable from and including the Issue Date up to, but excluding, February 20, 2016 will be payable on February 20, 2016 and will be in an amount equal to \$1.0625 per share multiplied by a fraction, the numerator of which is the number of calendar days from and including the Issue Date to, but excluding, February 20, 2016 and the denominator of which is 365.

(ii) During each Subsequent Fixed Rate Period, dividends on the Series 1 Preferred Shares will be in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00, payable quarterly on each Dividend Payment Date.

- (iii) The Corporation will, in respect of each Subsequent Fixed Rate Period, calculate on each Fixed Rate Calculation Date the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period and will, on the Fixed Rate Calculation Date, give written notice thereof to the then registered holders of Series 1 Preferred Shares. Each such determination by the Corporation of the Annual Fixed Dividend Rate will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series 1 Preferred Shares.
 - (iv) If on any Dividend Payment Date the Corporation shall not have paid the said dividends in full on all Series 1 Preferred Shares in respect of which such dividends are payable, such dividends, or the unpaid part thereof, shall be paid on a subsequent date or dates on which the Corporation has sufficient moneys properly applicable to the payment of dividends in priority to dividends on the Common Shares and any other shares of any other class ranking junior to the Series 1 Preferred Shares with respect to the priority of payment of dividends.
 - (v) The holders of Series 1 Preferred Shares will not be entitled to any dividend other than as provided in this section 3 (or in sections 4, 5 or 10 in connection with the payment of accrued dividends, if and to the extent applicable).
- (b) *Method of Payment* - Dividends on the Series 1 Preferred Shares will, subject to the provisions of section 15, be paid by cheque or by electronic means or by such other method as the Corporation may determine, in lawful money of Canada payable at par at any branch in Canada of a chartered bank or trust company, in the amount of the applicable dividend, rounded to the nearest whole cent (\$0.01). Cheques to registered holders of Series 1 Preferred Shares will be mailed by prepaid ordinary mail to such registered holder's recorded address, unless such holder otherwise directs, on or before the fifth Business Day before the Dividend Payment Date. Cheques to joint holders of Series 1 Preferred Shares will, unless any applicable joint holder otherwise directs, be made payable to the order of all of such joint holders and, if applicable, be mailed by prepaid ordinary mail to them at their recorded address, unless any applicable joint holder otherwise directs, on or before the fifth Business Day before the Dividend Payment Date. The sending of the cheque or the sending of the payment by electronic means or other method determined by the Corporation as provided for above in an amount equal to the dividend to be paid shall, unless such payment is not paid on due presentation, if applicable, satisfy and discharge the liability for the payment of the applicable dividend. A dividend unclaimed after a

period of two years from the date on which it was declared to be payable will be forfeited and shall revert to the Corporation.

4. Redemption

- (a) *No Redemption Before November 20, 2020* - The Corporation may not redeem any of the Series 1 Preferred Shares prior to November 20, 2020.
- (b) *Redemption On and After November 20, 2020* - On November 20, 2020 and on November 20 every fifth year thereafter, but subject to applicable law and section 5, the Corporation may redeem all or from time to time any part of the Series 1 Preferred Shares then outstanding without the consent of the holders. The Corporation may effect the redemption, the details of which are to be stipulated in the Redemption Notice as described below, by the payment of an amount in cash for each Series 1 Preferred Share so redeemed equal to \$25.00 (the “**Redemption Price**”) in each case, together with the Accrued Amount.
- (c) *Partial Redemptions* - In the case of partial redemptions, Series 1 Preferred Shares to be redeemed will be selected on a proportionate basis or in any other manner that the Board of Directors may determine, subject to any required approval of any stock exchange or marketplace on which the Series 1 Preferred Shares may then be listed or quoted.
- (d) *Notice of Redemption* - The Corporation will give to each registered holder of Series 1 Preferred Shares to be redeemed a notice in writing of the intention of the Corporation to redeem such shares (the “**Redemption Notice**”). The Redemption Notice must be given at least 30 days but not more than 60 days before the Redemption Date. The Redemption Notice must set out the number of Series 1 Preferred Shares held by the person to whom it is addressed which are to be redeemed, the Redemption Price and the Accrued Amount and the date on which the redemption is to occur (the “**Redemption Date**”).
- (e) *Method of Payment* - The Corporation will either pay or cause to be paid to the holders of the Series 1 Preferred Shares to be redeemed, in respect of each Series 1 Preferred Share to be redeemed, the Redemption Price and the Accrued Amount on presentation and surrender at any principal transfer office of the Transfer Agent, or at any other place or places within Canada designated in the Redemption Notice, of the certificate or certificates for the Series 1 Preferred Shares so called for redemption, subject to the provisions of section 15, together with such other documents as may be reasonably required to effect a transfer of Series 1 Preferred Shares. Payment by cash will be made by cheque payable at par at any branch in Canada of a chartered bank or trust company. If a part only of the Series 1 Preferred Shares represented by any certificate is redeemed, a new certificate for the balance will be issued at the expense

of the Corporation. Subject to subsection (f) below, from and after the date specified in any Redemption Notice, the Series 1 Preferred Shares called for redemption will be deemed to be redeemed and the holders of those Series 1 Preferred Shares will cease to be entitled to dividends and will not be entitled to exercise any of the rights of shareholders in respect of those Series 1 Preferred Shares (other than the right to receive, without interest, the Redemption Price and the Accrued Amount) unless payment of the Redemption Price and the Accrued Amount is not duly made by the Corporation on presentation and surrender of the certificate or certificates representing the applicable Series 1 Preferred Shares, in which case the rights of the holders of the applicable Series 1 Preferred Shares shall remain unaffected.

- (f) *Deposit of Redemption Price and Accrued Amount* - At any time after the Redemption Notice is given, the Corporation will have the right to deposit the Redemption Price and the Accrued Amount of any or all Series 1 Preferred Shares called for redemption with any chartered bank or trust company in Canada named in the Redemption Notice, including the Transfer Agent (if other than the Corporation), to the credit of a special account for the respective holders of those Series 1 Preferred Shares, to be paid on surrender to the Corporation or that chartered bank or trust company of the certificate or certificates representing those Series 1 Preferred Shares. Any such deposit will constitute payment and satisfaction of the Redemption Price and the Accrued Amount of the Series 1 Preferred Shares for which the deposit is made and the rights of the holders of those shares will be limited to receiving the proportion (less any tax required to be deducted and withheld by the person holding such deposit) of the Redemption Price and the Accrued Amount so deposited applicable to those shares, without interest, on presentation and surrender of the certificate or certificates representing the Series 1 Preferred Shares being redeemed. The Corporation will be entitled to any interest on such deposit.
- (g) *Return of Funds* - Subject to applicable law, the aggregate amount of the Redemption Price and Accrued Amount of any or all Series 1 Preferred Shares called for redemption deposited in accordance with section 4(f) that remain unclaimed after a period of six years from the Redemption Date shall be forfeited and shall revert to the Corporation.

5. Conversion of Series 1 Preferred Shares

- (a) *Conversion at the Option of the Holder*
- (i) Holders of Series 1 Preferred Shares will have the right, at their option, on November 20, 2020 and on November 20 in every fifth year thereafter (each, a “**Series 1 Conversion Date**”), to convert, subject to the terms and provisions hereof and to applicable law,

all or any Series 1 Preferred Shares registered in their name into Series 2 Preferred Shares on the basis of one (1) Series 2 Preferred Shares for each Series 1 Preferred Shares. The Corporation will give notice in writing to the then registered holders of the Series 1 Preferred Shares of the conversion privilege provided for herein (the “**Conversion Privilege**”) and such notice will (1) set out the Series 1 Conversion Date, (2) include instructions to such holders as to the method by which such Conversion Privilege may be exercised, as described in section 5(c), and (3) be given at least 30 days and not more than 60 days prior to the applicable Series 1 Conversion Date. On the 30th day prior to each Series 1 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 1 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series 2 Preferred Shares for the next succeeding Quarterly Floating Rate Period, in each case as determined by the Corporation.

- (ii) If the Corporation gives notice as provided in section 4(d) to the registered holders of the Series 1 Preferred Shares of the redemption of all the Series 1 Preferred Shares, the Corporation will not be required to give notice as provided in this section 5(a) to the registered holders of the Series 1 Preferred Shares of the Annual Fixed Dividend Rate, Floating Quarterly Dividend Rate or Conversion Privilege and the right of any holder of Series 1 Preferred Shares to convert such Series 1 Preferred Shares as herein provided will cease and terminate in that event.
- (iii) Holders of Series 1 Preferred Shares will not be entitled to convert their shares into Series 2 Preferred Shares on a Series 1 Conversion Date if the Corporation determines that there would remain outstanding on the Series 1 Conversion Date less than 1,000,000 Series 2 Preferred Shares after taking into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares. The Corporation will give notice in writing thereof, in accordance with the provisions of section 5(a)(i), *mutatis mutandis*, to all affected registered holders of Series 1 Preferred Shares at least seven (7) days prior to the applicable Series 1 Conversion Date and, subject to the provisions of section 15, will issue and deliver, or cause to be delivered, prior to such Series 1 Conversion Date, at the expense of the Corporation, to such holders of Series 1 Preferred Shares who have surrendered for conversion any certificate or certificates representing Series 1 Preferred Shares, new certificates

representing the Series 1 Preferred Shares represented by any certificate or certificates surrendered as aforesaid.

- (b) *Automatic Conversion* - If the Corporation determines that there would remain outstanding on a Series 1 Conversion Date less than 1,000,000 Series 1 Preferred Shares after taking into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, then, all, but not part, of the remaining outstanding Series 1 Preferred Shares will automatically be converted into Series 2 Preferred Shares on the basis of one (1) Series 2 Preferred Share for each Series 1 Preferred Share on the applicable Series 1 Conversion Date and the Corporation will give notice in writing thereof, in accordance with the provisions of section 5(a)(i), *mutatis mutandis*, to the registered holders of such remaining Series 1 Preferred Shares at least seven (7) days prior to the applicable Series 1 Conversion Date.
- (c) *Manner of Exercise of Conversion Privilege*
- (i) Subject to the provisions of section 15, the Conversion Privilege may be exercised by notice in writing, in a form satisfactory to the Corporation, (a “**Conversion Notice**”) given not earlier than 30 days prior to a Series 1 Conversion Date but not later than 5:00 p.m. (Toronto time) on the 15th day preceding a Series 1 Conversion Date during usual business hours at any principal transfer office of the Transfer Agent, or such other place or places in Canada as the Corporation may agree, accompanied by: (1) payment or evidence of payment of the tax (if any) payable as provided in this section 5(c); and (2) the certificate or certificates representing the Series 1 Preferred Shares in respect of which the holder thereof desires to exercise the Conversion Privilege with the transfer form on the back thereof or other appropriate stock transfer power of attorney duly endorsed by the holder, or his or her attorney duly authorized in writing, in which Conversion Notice such holder may also elect to convert part only of the Series 1 Preferred Shares represented by such certificate or certificates not theretofore called for redemption in which event the Corporation will issue and deliver or cause to be delivered to such holder, at the expense of the Corporation, a new certificate representing the Series 1 Preferred Shares represented by such certificate or certificates that have not been converted. Each Conversion Notice will be irrevocable.
- (ii) In the event the Corporation is required to convert all remaining outstanding Series 1 Preferred Shares into Series 2 Preferred Shares on the applicable Series 1 Conversion Date as provided for in section 5(b), the Series 1 Preferred Shares in respect of which

the holders have not previously elected to convert will be converted on the Series 1 Conversion Date into Series 2 Preferred Shares and the holders thereof will be deemed to be holders of Series 2 Preferred Shares at 5:00 p.m. (Toronto time) on the Series 1 Conversion Date and will be entitled, upon surrender during usual business hours at any principal transfer office of the Transfer Agent, or such other place or places in Canada as the Corporation may agree, of the certificate or certificates representing Series 1 Preferred Shares not previously surrendered for conversion, to receive a certificate or certificates representing the same number of Series 2 Preferred Shares in the manner and subject to the terms and provisions as provided in this section 5(c) and section 15.

- (iii) Subject to the provisions of section 15, as promptly as practicable after the Series 1 Conversion Date, the Corporation will issue and deliver, or cause to be delivered to or upon the written order of the holder of the Series 1 Preferred Shares surrendered in accordance with this section 5(c), a certificate or certificates, issued in the name of, or in such name or names as may be directed by, such holder representing the number of fully-paid and non-assessable Series 2 Preferred Shares and the number of remaining Series 1 Preferred Shares, if any, to which such holder is entitled. Such conversion will be deemed to have been made at 5:00 p.m. (Toronto time) on the Series 1 Conversion Date, so that the rights of the holder of such Series 1 Preferred Shares as the holder thereof will cease at such time and the person or persons entitled to receive Series 2 Preferred Shares upon such conversion will be treated for all purposes as having become the holder or holders of record of such Series 2 Preferred Shares at such time.
- (iv) The holder of any Series 1 Preferred Shares on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted into Series 2 Preferred Shares after such record date and on or before the date of the payment of such dividend.
- (v) Subject to the provisions of section 15, the issuance of certificates for the Series 2 Preferred Shares upon the conversion of Series 1 Preferred Shares will be made without charge to the converting holders of Series 1 Preferred Shares for any fee or tax in respect of the issuance of such certificates or the Series 2 Preferred Shares represented thereby; provided, however, that the Corporation will not be required to pay any tax that may be imposed upon the person or persons to whom such Series 2 Preferred Shares are issued in respect of the issuance of such Series 2 Preferred Shares

or the certificate therefor or any security transfer taxes, and the Corporation will not be required to issue or deliver a certificate or certificates in a name or names other than that of the holder of the Series 1 Preferred Shares converted unless the person or persons requesting the issuance thereof has paid to the Corporation the amount of any such security transfer tax or has established to the satisfaction of the Corporation that such tax has been paid.

- (d) *Deferral of Issuance of Series 2 Preferred Shares* - The obligation of the Corporation to issue Series 2 Preferred Shares upon the exercise of the Conversion Privilege by a holder of Series 1 Preferred Shares, or upon an automatic conversion, pursuant to section 5(b), of Series 1 Preferred Shares, shall be deferred during the continuance of any one or more of the following events:
- (i) the issuing of such Series 2 Preferred Shares is prohibited pursuant to any agreement or arrangement entered into by the Corporation to assure its solvency or continued operation;
 - (ii) the issuing of such Series 2 Preferred Shares is prohibited by applicable law or by any regulatory or other authority having jurisdiction over the Corporation that is acting in conformity with applicable law; or
 - (iii) for any other reason beyond its control, the Corporation is unable to issue Series 2 Preferred Shares or is unable to deliver Series 2 Preferred Shares.
- (e) *Right Not to Deliver Series 2 Preferred Shares* - On the exercise of the Conversion Privilege by a holder of Series 1 Preferred Shares, or upon an automatic conversion, pursuant to section 5(b), of Series 1 Preferred Shares, the Corporation reserves the right not to deliver Series 2 Preferred Shares to any Ineligible Person. In those circumstances, the Corporation will hold, as agent of any such person, all or the relevant number of Series 1 Preferred Shares, and the Corporation will attempt to sell such Series 1 Preferred Shares to parties other than the Corporation and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices as the Corporation, in its sole discretion, may determine. The Corporation will not be subject to any liability for failure to sell any such Series 1 Preferred Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Corporation from the sale of any such Series 1 Preferred Shares will be delivered to any such person, after deducting the costs of sale and any applicable withholding taxes. The Corporation will provide a cheque representing the aggregate net proceeds to the Depository (if the Series 1 Preferred Shares are then held in the Book-Entry Only System) or in all

other cases to the Transfer Agent in accordance with the regular practices and procedures of the Depository or the Transfer Agent, as applicable.

6. Restrictions on Dividends and Retirement and Issue of Shares

As long as any Series I Preferred Shares are outstanding, in addition to any limitations prescribed by the Act, the Corporation shall not at any time, without the approval of the holders of the Series I Preferred Shares given as provided in section 9:

- (a) declare, pay or set apart for payment any dividend on its Common Shares or any other shares ranking as to dividends junior to the Series I Preferred Shares (other than stock dividends on any shares ranking as to dividends junior to the Series I Preferred Shares);
- (b) redeem, purchase or otherwise retire any of its Common Shares or any other shares ranking as to repayment of capital or as to dividends junior to the Series I Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series I Preferred Shares);
- (c) subject to sections 4 and 5, redeem, purchase or otherwise retire less than all the Series I Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares of the Corporation, redeem, purchase or otherwise retire any other shares ranking on a parity with the Series I Preferred Shares;

unless, in each case, all dividends on the Series I Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed Dividend Period and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series I Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

7. Purchase for Cancellation

Subject to section 6 and the provisions of the Act, the Corporation may purchase for cancellation at any time all or from time to time any part of the Series I Preferred Shares then outstanding in the open market or by private contract or tender at any price.

8. Issue of Additional Shares

Notwithstanding any other provision of these Series I Provisions, the Corporation may issue additional Series I Preferred Shares and/or shares of any other class or series of the Corporation without authorization of the holders of the Series I Preferred Shares.

9. No Voting Rights

Except as prescribed by the Act, the holders of the Series I Preferred Shares shall not, as such, be entitled (except as hereinafter specifically provided) to receive notice of, or to attend shareholders' meetings of the Corporation and shall not be entitled to vote at any such meetings unless and until the Corporation shall fail for eight quarters, whether or not consecutive, to pay, in full, the dividends payable on the Series I Preferred Shares, whereupon, and for so long as dividends remain in arrears, the holders of the Series I Preferred Shares, shall be entitled to receive notice of and to attend all shareholders' meetings, except class meetings of other classes of shareholders, and shall have one vote thereat for each Series I Preferred Share held at such meetings. To the extent that the Series I Preferred Shares obtain the right to vote under these Series I Provisions, the Series I Preferred Shares shall thereupon become subject to the terms and conditions of the Share Constraint, to the extent applicable.

10. Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of the Corporation's assets for the purpose of winding up its affairs, the holders of the Series I Preferred Shares shall be entitled to receive in respect of each such share, before any distribution of any part of the assets of the Corporation among the holders of the Common Shares and any other class of shares of the Corporation ranking junior to the Series I Preferred Shares, an amount equal to \$25.00 together with all unpaid dividends, whether or not declared, which shall have accrued thereon and which, for such purpose, shall be treated as accruing up to the date of liquidation, dissolution or winding up or other distribution. After payment to the holders of the Series I Preferred Shares of the amount so payable to such holders as herein provided, the holders shall not be entitled to share in any further distribution of the property or assets of the Corporation.

11. Modification

- (a) The provisions attached to the Series I Preferred Shares may not be deleted, varied, modified or amended without the prior approval of the holders of the Series I Preferred Shares given in accordance with section 11(b) in addition to any vote, authorization, confirmation or approval as may then be required by applicable law.
- (b) Any approval required or permitted to be given by the holders of the Series I Preferred Shares with respect to any and all matters referred to herein (in addition to or as distinct from any vote, authorization, confirmation or approval required by applicable law) may be given by an instrument or instruments in writing signed by the holders of all the Series I Preferred Shares then outstanding or by a resolution passed at a meeting of the holders of Series I Preferred Shares duly called and held on not less than 21 days' notice at which the holders of at least 50% of the outstanding Series I Preferred Shares are present or are represented by

proxy and carried by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at the meeting. If at the meeting the holders of at least 50% of the outstanding Series 1 Preferred Shares are not present or represented by proxy within 30 minutes after the time appointed for the meeting, the meeting will be adjourned to such date, not less than 10 days afterwards, and to such time and place as the Chairman may designate, and no notice need be given of the adjourned meeting. At the adjourned meeting, the holders of Series 1 Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed at the adjourned meeting by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at the meeting will constitute the approval of the holders of Series 1 Preferred Shares. On every poll taken at any meeting or adjourned meeting, every holder of Series 1 Preferred Shares will be entitled to one vote in respect of each Series 1 Preferred Share held. Subject to the foregoing, the formalities to be observed in respect of the giving of notice of any meeting or adjourned meeting and the conduct of any such meeting will be those from time to time as may be prescribed in the by-laws of the Corporation with respect to meetings of shareholders.

12. Tax Election

The Corporation will elect, in the manner and within the time provided under section 191.2 of the Tax Act or any successor or replacement provision of similar effect, and take all other necessary action under the Tax Act, to pay tax under Part VI.1 of the Tax Act at a rate such that holders of the Series 1 Preferred Shares will not be required to pay tax on dividends received (or deemed to be received) on the Series 1 Preferred Shares under Part IV.1 of the Tax Act or any successor or replacement provision of similar effect. Nothing in this paragraph shall prevent the Corporation from entering into an agreement with a taxable Canadian corporation with which it is related to transfer all or a portion of the Corporation's liability for tax under section 191.1 of the Tax Act to that taxable Canadian corporation in accordance with the provisions of section 191.3 of the Tax Act.

13. Notices

- (a) *Notice to the Corporation* - Subject to applicable law, any notice, request or other communication to be given to the Corporation by a holder of Series 1 Preferred Shares must be in writing and will be valid and effective if given by mail (postage prepaid) or by electronic communication or by delivery to the registered office of the Corporation and addressed to the attention of the Secretary. Any such notice, request or other communication, if given by mail, electronic communication or delivery, will be deemed to have been given and received only on actual receipt by the Corporation.

- (b) *Presentation and Surrender of Certificates* - Any presentation and surrender by a holder of Series I Preferred Shares to the Corporation or the Transfer Agent of certificates representing Series I Preferred Shares in connection with the redemption or conversion of Series I Preferred Shares must be made by registered mail (postage prepaid) or by delivery to the registered office of the Corporation or to such office of the Transfer Agent as may be specified by the Corporation, in each case addressed to the attention of the Secretary. Any such presentation and surrender of certificates will be deemed to have been made and to be effective only on actual receipt by the Corporation or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by registered mail will be at the sole risk of the holder mailing the same.
- (c) *Notice to Holders of Series I Preferred Shares* - Subject to applicable law, any notice, request or other communication to be given to a registered holder of Series I Preferred Shares by or on behalf of the Corporation must be in writing and may be sent by any one of the following methods: (a) by hand delivery, through the mail, or by a nationally recognized overnight delivery service for next day delivery; (b) by means of fax, e-mail, or other form of electronic transmission; (c) by providing or posting the notice, document or other information on or making it available through a generally accessible electronic source and providing notice of the availability and location of the notice, document or other information to the shareholder via any of the methods specified in (a) and (b) above, including by mail, delivery, fax, e-mail or other form of electronic transmission; or (d) by any other method permitted by applicable law. A notice to a registered holder of Series I Preferred Shares by or on behalf of the Corporation shall be deemed to be received as follows: (i) if given by hand delivery, when actually received by a registered holder; (ii) if sent through the mail addressed to a registered holder at the registered holder's address appearing on the share register of the Corporation, at the time it would be delivered in the ordinary course of mail; (iii) if sent for next day delivery by a nationally recognized overnight delivery service addressed to the registered holder at the registered holder's address appearing on the share register of the Corporation, when delivered to such service; (iv) if faxed, when sent to a number at which the registered holder has consented to receive notice and evidence of delivery confirmation is received by sender's fax device; (v) if by e-mail, when sent to an e-mail address at which the registered holder has consented to receive notice; (vi) if sent by any other form of electronic transmission, when sent to the registered holder; (vii) if sent by posting it on or making it available through a generally accessible electronic source referred to in (c) above, on the day such registered holder is sent notice of the availability and location of such notice, document or other information is deemed to have been sent in accordance with (i) through (vi) above; or (vii) if sent by any other method permitted

by applicable law, at the time that such registered holder is deemed to have received such notice pursuant to applicable law. If a registered holder of Series I Preferred Shares has consented to a method for delivery of a notice, document or other information, the registered holder may revoke its consent to receiving any notice, document or information by fax or e-mail by giving written notice of such revocation to the Corporation. Accidental failure or omission to give any notice, request or other communication to one or more registered holders of Series I Preferred Shares, or any defect in such notice, will not invalidate or otherwise alter or affect any action or proceeding to be taken by the Corporation pursuant to that notice, request or other communication.

14. Interpretation

(a) *Defined Terms* - In these Series I Provisions:

“**Accrued Amount**” means, at any date, an amount, calculated on a per Series I Preferred Share basis, equal to the sum of (a) all unpaid dividends, whether or not declared, in respect of completed Dividend Periods preceding the relevant Redemption Date and (b) an amount in cash equal to (x) \$25.00; multiplied by (y) one-quarter of the Initial Fixed Dividend Rate or the then current Annual Fixed Dividend Rate, as applicable; multiplied by (z) a fraction, the numerator of which is the number of calendar days that will have elapsed in the then current Dividend Period as of, but excluding, the then relevant Redemption Date, and the denominator of which is the number of days in the then current Dividend Period; provided in the case of each of (a) and (b), no amount shall be included in the Accrued Amount that would result in the duplication in payment by the Corporation of the amount of any dividend on the Series I Preferred Shares.

“**Act**” means the *Business Corporations Act* (Ontario).

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.53%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Board of Directors**” means the board of directors of the Corporation.

“Book-Entry Only System” means the record book-entry only securities transfer and pledge system administered by the Depository in accordance with its operating rules and procedures in force from time to time or any successor system thereof.

“Business Day” means any day that is not a Saturday, Sunday or any other day that is a “holiday”, as defined in the *Legislation Act*, 2006 S.O. 2006, c. 21, Sch. F, as from time to time amended.

“Common Shares” means the Common Shares of the Corporation, and any other securities into which those shares may be changed or for which those shares may be exchanged (whether or not the Corporation is the issuer of such other securities) or any other consideration which may be received by the holders of such shares pursuant to a reorganization, merger or amalgamation of the Corporation or comparable transaction affecting the Common Shares of the Corporation.

“Conversion Notice” has the meaning attributed to it in section 5(c)(i).

“Conversion Privilege” has the meaning attributed to it in section 5(a)(i).

“Corporation” means Hydro One Limited and any successor thereto.

“Depository” means CDS Clearing and Depository Services Inc. and its nominees or any successor carrying on the business as a depository, which is approved by the Corporation.

“Dividend Payment Date” means the 20th day of the months of November, February, May and August in each year, other than November 20, 2015.

“Dividend Period” means the period from and including the Issue Date up to but excluding February 20, 2016 and, thereafter, the three-month period commencing on and including a Dividend Payment Date and ending on (and including) the day immediately preceding the next Dividend Payment Date.

“Fixed Rate Calculation Date” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“Floating Quarterly Dividend Rate” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.53%.

“Floating Rate Calculation Date” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“Government of Canada Yield” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Corporation, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“Ineligible Person” means any person whose address is in, or whom the Corporation or the Transfer Agent for the Series 1 Preferred Shares has reason to believe is a resident of, any jurisdiction outside Canada where the issue or delivery to that person of Series 1 Preferred Shares or Series 2 Preferred Shares would require the Corporation to take any action to comply with securities or analogous laws of that jurisdiction or would give rise to a liability for withholding tax in connection with such issuance or delivery.

“Initial Fixed Dividend Rate” means 4.25% per annum.

“Initial Fixed Rate Period” means the period commencing on the Issue Date and ending on and including November 19, 2020.

“Issue Date” means the date any of the Series 1 Preferred Shares are first issued.

“Preferred Shares” means the preferred shares in the capital of the Corporation.

“Quarterly Commencement Date” means the 20th day of each of November, February, May and August in each year.

“Quarterly Floating Rate Period” means, for the initial Quarterly Floating Rate Period, the period commencing on November 20, 2020 and ending on and including February 19, 2021, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**Redemption Date**” has the meaning attributed to it in section 4(d).

“**Redemption Notice**” has the meaning attributed to it in section 4(d).

“**Redemption Price**” has the meaning attributed to it in section 4(b).

“**Secretary**” means the Secretary of the Corporation.

“**Series 1 Conversion Date**” has the meaning attributed to it in section 5(a)(i).

“**Series 1 Preferred Shares**” means the Series 1 Preferred Shares of the Corporation.

“**Series 1 Provisions**” has the meaning attributed to it in the introductory paragraph to these terms and conditions attaching to the Series 1 Preferred Shares.

“**Series 2 Preferred Shares**” means the Series 2 Preferred Shares of the Corporation.

“**Share Constraint**” means the ownership restrictions described in the articles of the Corporation.

“**Subsequent Fixed Rate Period**” means, for the initial Subsequent Fixed Rate Period, the period commencing on November 20, 2020 and ending on and including November 19, 2025, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including November 19 in the fifth year thereafter.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada treasury bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

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

“**Transfer Agent**” means Computershare Investor Services Inc., a trust company existing under the laws of Canada, or such other person as from time to time may be the registrar and transfer agent for the Series 1 Preferred Shares, and if the Corporation has not appointed a registrar or transfer agent for the Series 1 Preferred Shares, means the Corporation.

- (b) *Ranking of Shares* - The expressions “superior to”, “on a parity with” and “ranking junior to” and similar expressions refer to the order of priority

only in payment of dividends or in the distribution of assets in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation for the purpose of winding-up its affairs.

- (c) *Holder* - References to a “holder” in relation to Series I Preferred Shares means a registered holder of those shares.
- (d) *References to Statutes* - Reference to any statute is to that statute as in force from time to time, including any regulations, rules, policy statements or guidelines made under that statute, and includes any statute which may be enacted in substitution of that statute.
- (e) *Other Payment Matters*
 - (i) If any date on which any dividend on the Series I Preferred Shares is payable or on or by which any other action is required to be taken by the Corporation under these Series I Provisions is not a Business Day, then the dividend will be payable, or such other action will be required to be taken, on or by the next day that is a Business Day.
 - (ii) In the event of the non-receipt of a cheque by a holder of Series I Preferred Shares entitled to the cheque, or the loss or destruction of the cheque, the Corporation, on being furnished with reasonable evidence of non-receipt, loss or destruction, and an indemnity reasonably satisfactory to the Corporation, will issue to the holder a replacement cheque for the amount of the original cheque.
 - (iii) The Corporation will be entitled to deduct or withhold from any amount payable to a holder of Series I Preferred Shares under these Series I Provisions any amount required by law to be deducted or withheld from that payment.

15. Book-Entry Only System

- (a) *Transfers etc. Through Participants* - If the Series I Preferred Shares are held through the Book-Entry Only System, then the beneficial owner thereof shall provide instructions with respect to Series I Preferred Shares only to the Depository participant through whom such beneficial owner holds such Series I Preferred Shares and registrations of ownership, transfers, purchases, surrenders and exchanges of Series I Preferred Shares will be made only through the Book-Entry Only System. Beneficial owners of Series I Preferred Shares will not have the right to receive share certificates representing their ownership of the Series I Preferred Shares.

- (b) *Depository is Registered Holder* - For the purposes of these Series 1 Provisions, as long as the Depository, or its nominee, is the registered holder of the Series 1 Preferred Shares, the Depository, or its nominee, as the case may be, will be considered the sole holder of the Series 1 Preferred Shares for the purpose of receiving notices or payments on or in respect of the Series 1 Preferred Shares, including payments of dividends on the Series 1 Preferred Shares, the Redemption Price or accrued and unpaid dividends, and the delivery of Series 2 Preferred Shares and certificates for those shares on the conversion into Series 2 Preferred Shares.

SERIES 2 PREFERRED SHARE TERMS

1. Designation

The second series of the Preferred Shares shall consist of an unlimited number of shares designated as Series 2 Preferred Shares and in addition to the rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class, shall have the right, privileges, restrictions and conditions described below (the “**Series 2 Provisions**”).

2. Consideration for Issue

The consideration for the issue of each Series 2 Preferred Share shall be \$25.00.

3. Dividends

(a) *Payment of Dividends*

- (i) The holders of the Series 2 Preferred Shares shall be entitled to receive and the Corporation shall pay thereon as and when declared by the Board of Directors out of the money of the Corporation properly applicable to the payment of dividends, cumulative dividends payable quarterly on each Dividend Payment Date at the Floating Quarterly Dividend Rate as calculated from time to time as herein provided. Accordingly, on each Dividend Payment Date, the dividend payable on the Series 2 Preferred Shares, if declared, will be in the amount per share determined by multiplying:
 - (A) the product obtained by multiplying \$25.00 by the Floating Quarterly Dividend Rate applicable to the Quarterly Floating Rate Period immediately preceding such Dividend Payment Date; by
 - (B) a fraction, the numerator of which is the actual number of days elapsed in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year.
- (ii) The Corporation will, in respect of each Quarterly Floating Rate Period, calculate on each Floating Rate Calculation Date the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period and will, on the Floating Rate Calculation Date, give written notice thereof to the then registered holders of Series 2 Preferred Shares. Each such determination by the Corporation of the Floating Quarterly Dividend Rate will, in the absence of

manifest error, be final and binding upon the Corporation and upon all holders of Series 2 Preferred Shares.

- (iii) If on any Dividend Payment Date the Corporation shall not have paid the said dividends in full on all Series 2 Preferred Shares in respect of which such dividends are payable, such dividends, or the unpaid part thereof, shall be paid on a subsequent date or dates on which the Corporation has sufficient moneys properly applicable to the payment of dividends in priority to dividends on the Common Shares and any other shares of any other class ranking junior to the Series 2 Preferred Shares with respect to the priority of payment of dividends.
- (iv) The holders of Series 2 Preferred Shares will not be entitled to any dividend other than as provided in this section 3 (or in sections 4, 5 or 10 in connection with the payment of accrued dividends, if and to the extent applicable).

- (b) *Method of Payment* - Dividends on the Series 2 Preferred Shares will, subject to the provisions of section 15, be paid by cheque or by electronic means or by such other method as the Corporation may determine, in lawful money of Canada payable at par at any branch in Canada of a chartered bank or trust company, in the amount of the applicable dividend, rounded to the nearest whole cent (\$0.01). Cheques to registered holders of Series 2 Preferred Shares will be mailed by prepaid ordinary mail to such registered holder's recorded address, unless such holder otherwise directs, on or before the fifth Business Day before the Dividend Payment Date. Cheques to joint holders of Series 2 Preferred Shares will, unless any applicable joint holder otherwise directs, be made payable to the order of all of such joint holders and, if applicable, be mailed by prepaid ordinary mail to them at their recorded address, unless any applicable joint holder otherwise directs, on or before the fifth Business Day before the Dividend Payment Date. The sending of the cheque or the sending of the payment by electronic means or other method determined by the Corporation as provided for above in an amount equal to the dividend to be paid shall, unless such payment is not paid on due presentation, if applicable, satisfy and discharge the liability for the payment of the applicable dividend. A dividend unclaimed after a period of two years from the date on which it was declared to be payable will be forfeited and shall revert to the Corporation.

4. Redemption

- (a) *Redemption After November 20, 2020* - After November 20, 2020, but subject to applicable law and section 5, the Corporation may redeem at any time all or from time to time any part of the Series 2 Preferred Shares then outstanding without the consent of the holders. The Corporation may

effect the redemption, the details of which are to be stipulated in the Redemption Notice as described below, by the payment of an amount in cash for each Series 2 Preferred Share so redeemed equal to:

- (i) \$25.00 in the case of redemptions on November 20, 2025 and on November 20 in every fifth year thereafter; or
- (ii) \$25.50 in the case of redemptions on any other date after November 20, 2020;

(the “**Redemption Price**”) in each case, together with the Accrued Amount.

- (b) *Partial Redemptions* - In the case of partial redemptions, Series 2 Preferred Shares to be redeemed will be selected on a proportionate basis or in any other manner that the Board of Directors may determine, subject to any required approval of any stock exchange or marketplace on which the Series 2 Preferred Shares may then be listed or quoted.
- (c) *Notice of Redemption* - The Corporation will give to each registered holder of Series 2 Preferred Shares to be redeemed a notice in writing of the intention of the Corporation to redeem such shares (the “**Redemption Notice**”). The Redemption Notice must be given at least 30 days but not more than 60 days before the Redemption Date. The Redemption Notice must set out the number of Series 2 Preferred Shares held by the person to whom it is addressed which are to be redeemed, the Redemption Price and the Accrued Amount and the date on which the redemption is to occur (the “**Redemption Date**”).
- (d) *Method of Payment* - The Corporation will either pay or cause to be paid to the holders of the Series 2 Preferred Shares to be redeemed, in respect of each Series 2 Preferred Share to be redeemed, the Redemption Price and the Accrued Amount on presentation and surrender at any principal transfer office of the Transfer Agent, or at any other place or places within Canada designated in the Redemption Notice, of the certificate or certificates for the Series 2 Preferred Shares so called for redemption, subject to the provisions of section 15, together with such other documents as may be reasonably required to effect a transfer of Series 2 Preferred Shares. Payment by cash will be made by cheque payable at par at any branch in Canada of a chartered bank or trust company. If a part only of the Series 2 Preferred Shares represented by any certificate is redeemed, a new certificate for the balance will be issued at the expense of the Corporation. Subject to subsection (e) below, from and after the date specified in any Redemption Notice, the Series 2 Preferred Shares called for redemption will be deemed to be redeemed and the holders of those Series 2 Preferred Shares will cease to be entitled to dividends and will not be entitled to exercise any of the rights of shareholders in respect

of those Series 2 Preferred Shares (other than the right to receive, without interest, the Redemption Price and the Accrued Amount) unless payment of the Redemption Price and the Accrued Amount is not duly made by the Corporation on presentation and surrender of the certificate or certificates representing the applicable Series 2 Preferred Shares, in which case the rights of the holders of the applicable Series 2 Preferred Shares shall remain unaffected.

- (e) *Deposit of Redemption Price and Accrued Amount* - At any time after the Redemption Notice is given, the Corporation will have the right to deposit the Redemption Price and the Accrued Amount of any or all Series 2 Preferred Shares called for redemption with any chartered bank or trust company in Canada named in the Redemption Notice, including the Transfer Agent (if other than the Corporation), to the credit of a special account for the respective holders of those Series 2 Preferred Shares, to be paid on surrender to the Corporation or that chartered bank or trust company of the certificate or certificates representing those Series 2 Preferred Shares. Any such deposit will constitute payment and satisfaction of the Redemption Price and the Accrued Amount of the Series 2 Preferred Shares for which the deposit is made and the rights of the holders of those shares will be limited to receiving the proportion (less any tax required to be deducted and withheld by the person holding such deposit) of the Redemption Price and the Accrued Amount so deposited applicable to those shares, without interest, on presentation and surrender of the certificates representing the Series 2 Preferred Shares being redeemed. The Corporation will be entitled to any interest on such deposit.
- (f) *Return of Funds* - Subject to applicable law, the aggregate amount of the Redemption Price and Accrued Amount of any or all Series 2 Preferred Shares called for redemption deposited in accordance with section 4(e) that remain unclaimed after a period of six years from the Redemption Date shall be forfeited and shall revert to the Corporation.

5. Conversion of Series 2 Preferred Shares

- (a) *Conversion at the Option of the Holder*
- (i) Holders of Series 2 Preferred Shares will have the right, at their option, on November 20, 2025 and on November 20 in every fifth year thereafter (each, a “**Series 2 Conversion Date**”), to convert, subject to the terms and provisions hereof and to applicable law, all or any Series 2 Preferred Shares registered in their name into Series 1 Preferred Shares on the basis of one (1) Series 1 Preferred Shares for each Series 2 Preferred Shares. The Corporation will give notice in writing to the then registered holders of the Series 2 Preferred Shares of the conversion privilege provided for herein

(the “**Conversion Privilege**”) and such notice will (1) set out the Series 2 Conversion Date, (2) include instructions to such holders as to the method by which such Conversion Privilege may be exercised, as described in section 5(c), and (3) be given at least 30 days and not more than 60 days prior to the applicable Series 2 Conversion Date. On the 30th day prior to each Series 2 Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series 2 Preferred Shares of the Floating Quarterly Dividend Rate for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 1 Preferred Shares for the next succeeding Subsequent Fixed Rate Period, in each case as determined by the Corporation.

- (ii) If the Corporation gives notice as provided in section 4(c) to the registered holders of the Series 2 Preferred Shares of the redemption of all the Series 2 Preferred Shares, the Corporation will not be required to give notice as provided in this section 5(a) to the registered holders of the Series 2 Preferred Shares of the Floating Quarterly Dividend Rate, Annual Fixed Dividend Rate or Conversion Privilege and the right of any holder of Series 2 Preferred Shares to convert such Series 2 Preferred Shares as herein provided will cease and terminate in that event.
 - (iii) Holders of Series 2 Preferred Shares will not be entitled to convert their shares into Series 1 Preferred Shares on a Series 2 Conversion Date if the Corporation determines that there would remain outstanding on the Series 2 Conversion Date less than 1,000,000 Series 1 Preferred Shares after taking into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares. The Corporation will give notice in writing thereof, in accordance with the provisions of section 5(a)(i), *mutatis mutandis*, to all affected registered holders of Series 2 Preferred Shares at least seven (7) days prior to the applicable Series 2 Conversion Date and, subject to the provisions of section 15, will issue and deliver, or cause to be delivered, prior to such Series 2 Conversion Date, at the expense of the Corporation, to such holders of Series 2 Preferred Shares who have surrendered for conversion any certificate or certificates representing Series 2 Preferred Shares, new certificates representing the Series 2 Preferred Shares represented by any certificate or certificates surrendered as aforesaid.
- (b) *Automatic Conversion* - If the Corporation determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000

Series 2 Preferred Shares after taking into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then, all, but not part, of the remaining outstanding Series 2 Preferred Shares will automatically be converted into Series 1 Preferred Shares on the basis of one (1) Series 1 Preferred Share for each Series 2 Preferred Share on the applicable Series 2 Conversion Date and the Corporation will give notice in writing thereof, in accordance with the provisions of section 5(a)(i), *mutatis mutandis*, to the registered holders of such remaining Series 2 Preferred Shares at least seven (7) days prior to the applicable Series 2 Conversion Date.

(c) *Manner of Exercise of Conversion Privilege*

- (i) Subject to the provisions of section 15, the Conversion Privilege may be exercised by notice in writing, in a form satisfactory to the Corporation, (a “**Conversion Notice**”) given not earlier than 30 days prior to a Series 2 Conversion Date but not later than 5:00 p.m. (Toronto time) on the 15th day preceding a Series 2 Conversion Date during usual business hours at any principal transfer office of the Transfer Agent, or such other place or places in Canada as the Corporation may agree, accompanied by: (1) payment or evidence of payment of the tax (if any) payable as provided in this section 5(c); and (2) the certificate or certificates representing the Series 2 Preferred Shares in respect of which the holder thereof desires to exercise the Conversion Privilege with the transfer form on the back thereof or other appropriate stock transfer power of attorney duly endorsed by the holder, or his or her attorney duly authorized in writing, in which Conversion Notice such holder may also elect to convert part only of the Series 2 Preferred Shares represented by such certificate or certificates not theretofore called for redemption in which event the Corporation will issue and deliver or cause to be delivered to such holder, at the expense of the Corporation, a new certificate representing the Series 2 Preferred Shares represented by such certificate or certificates that have not been converted. Each Conversion Notice will be irrevocable.
- (ii) In the event the Corporation is required to convert all remaining outstanding Series 2 Preferred Shares into Series 1 Preferred Shares on the applicable Series 2 Conversion Date as provided for in section 5(b), the Series 2 Preferred Shares in respect of which the holders have not previously elected to convert will be converted on the Series 2 Conversion Date into Series 1 Preferred Shares and the holders thereof will be deemed to be holders of Series 1 Preferred Shares at 5:00 p.m. (Toronto time) on the Series

2 Conversion Date and will be entitled, upon surrender during usual business hours at any principal transfer office of the Transfer Agent, or such other place or places in Canada as the Corporation may agree, of the certificate or certificates representing Series 2 Preferred Shares not previously surrendered for conversion, to receive a certificate or certificates representing the same number of Series 1 Preferred Shares in the manner and subject to the terms and provisions as provided in this section 5(c) and section 15.

- (iii) Subject to the provisions of section 15, as promptly as practicable after the Series 2 Conversion Date, the Corporation will issue and deliver, or cause to be delivered to or upon the written order of the holder of the Series 2 Preferred Shares surrendered in accordance with this section 5(c), a certificate or certificates, issued in the name of, or in such name or names as may be directed by, such holder representing the number of fully-paid and non-assessable Series 1 Preferred Shares and the number of remaining Series 2 Preferred Shares, if any, to which such holder is entitled. Such conversion will be deemed to have been made at 5:00 p.m. (Toronto time) on the Series 2 Conversion Date, so that the rights of the holder of such Series 2 Preferred Shares as the holder thereof will cease at such time and the person or persons entitled to receive Series 1 Preferred Shares upon such conversion will be treated for all purposes as having become the holder or holders of record of such Series 1 Preferred Shares at such time.
- (iv) The holder of any Series 2 Preferred Shares on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted into Series 1 Preferred Shares after such record date and on or before the date of the payment of such dividend.
- (v) Subject to the provisions of section 15, the issuance of certificates for the Series 1 Preferred Shares upon the conversion of Series 2 Preferred Shares will be made without charge to the converting holders of Series 2 Preferred Shares for any fee or tax in respect of the issuance of such certificates or the Series 1 Preferred Shares represented thereby; provided, however, that the Corporation will not be required to pay any tax that may be imposed upon the person or persons to whom such Series 1 Preferred Shares are issued in respect of the issuance of such Series 1 Preferred Shares or the certificate therefor or any security transfer taxes, and the Corporation will not be required to issue or deliver a certificate or certificates in a name or names other than that of the holder of the Series 2 Preferred Shares converted unless the person or persons

requesting the issuance thereof has paid to the Corporation the amount of any such security transfer tax or has established to the satisfaction of the Corporation that such tax has been paid.

- (d) *Deferral of Issuance of Series 1 Preferred Shares* - The obligation of the Corporation to issue Series 1 Preferred Shares upon the exercise of the Conversion Privilege by a holder of Series 2 Preferred Shares, or upon an automatic conversion, pursuant to section 5(b), of Series 2 Preferred Shares, shall be deferred during the continuance of any one or more of the following events:
- (i) the issuing of such Series 1 Preferred Shares is prohibited pursuant to any agreement or arrangement entered into by the Corporation to assure its solvency or continued operation;
 - (ii) the issuing of such Series 1 Preferred Shares is prohibited by applicable law or by any regulatory or other authority having jurisdiction over the Corporation that is acting in conformity with applicable law; or
 - (iii) for any other reason beyond its control, the Corporation is unable to issue Series 1 Preferred Shares or is unable to deliver Series 1 Preferred Shares.
- (e) *Right Not to Deliver Series 1 Preferred Shares* - On the exercise of the Conversion Privilege by a holder of Series 2 Preferred Shares, or upon an automatic conversion, pursuant to section 5(b), of Series 2 Preferred Shares, the Corporation reserves the right not to deliver Series 1 Preferred Shares to any Ineligible Person. In those circumstances, the Corporation will hold, as agent of any such person, all or the relevant number of Series 2 Preferred Shares, and the Corporation will attempt to sell such Series 2 Preferred Shares to parties other than the Corporation and its affiliates on behalf of any such person. Such sales (if any) will be made at such times and at such prices as the Corporation, in its sole discretion, may determine. The Corporation will not be subject to any liability for failure to sell any such Series 2 Preferred Shares on behalf of any such person or at any particular price on any particular day. The net proceeds received by the Corporation from the sale of any such Series 2 Preferred Shares will be delivered to any such person, after deducting the costs of sale and any applicable withholding taxes. The Corporation will provide a cheque representing the aggregate net proceeds to the Depository (if the Series 2 Preferred Shares are then held in the Book-Entry Only System) or in all other cases to the Transfer Agent in accordance with the regular practices and procedures of the Depository or the Transfer Agent, as applicable.

6. Restrictions on Dividends and Retirement and Issue of Shares

As long as any Series 2 Preferred Shares are outstanding, in addition to any limitations prescribed by the Act, the Corporation shall not at any time, without the approval of the holders of the Series 2 Preferred Shares given as provided in section 9:

- (a) declare, pay or set apart for payment any dividend on its Common Shares or any other shares ranking as to dividends junior to the Series 2 Preferred Shares (other than stock dividends on any shares ranking as to dividends junior to the Series 2 Preferred Shares);
- (b) redeem, purchase or otherwise retire any of its Common Shares or any other shares ranking as to repayment of capital or as to dividends junior to the Series 2 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 2 Preferred Shares);
- (c) subject to sections 4 and 5, redeem, purchase or otherwise retire less than all the Series 2 Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares of the Corporation, redeem, purchase or otherwise retire any other shares ranking on a parity with the Series 2 Preferred Shares;

unless, in each case, all dividends on the Series 2 Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed Quarterly Floating Rate Period and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series 2 Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

7. Purchase for Cancellation

Subject to section 6 and the provisions of the Act, the Corporation may purchase for cancellation at any time all or from time to time any part of the Series 2 Preferred Shares then outstanding in the open market or by private contract or tender at any price.

8. Issue of Additional Shares

Notwithstanding any other provision of these Series 2 Provisions, the Corporation may issue additional Series 2 Preferred Shares and/or shares of any other class or series of the Corporation without authorization of the holders of the Series 2 Preferred Shares.

9. No Voting Rights

Except as prescribed by the Act, the holders of the Series 2 Preferred Shares shall not, as such, be entitled (except as hereinafter specifically provided) to receive notice of, or to attend shareholders' meetings of the Corporation and shall not be entitled to vote at any such meetings unless and until the Corporation shall fail for eight quarters, whether or not consecutive, to pay, in full, the dividends payable on the Series 2 Preferred Shares, whereupon, and for so long as dividends remain in arrears, the holders of the Series 2 Preferred Shares, shall be entitled to receive notice of and to attend all shareholders' meetings, except class meetings of other classes of shareholders, and shall have one vote thereat for each Series 2 Preferred Share held at such meetings. To the extent that the Series 2 Preferred Shares obtain the right to vote under these Series 2 Provisions, the Series 2 Preferred Shares shall thereupon become subject to the terms and conditions of the Share Constraint, to the extent applicable.

10. Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of the Corporation's assets for the purpose of winding up its affairs, the holders of the Series 2 Preferred Shares shall be entitled to receive in respect of each such share, before any distribution of any part of the assets of the Corporation among the holders of the Common Shares and any other class of shares of the Corporation ranking junior to the Series 2 Preferred Shares, an amount equal to \$25.00 together with all unpaid dividends, whether or not declared, which shall have accrued thereon and which, for such purpose, shall be treated as accruing up to the date of liquidation, dissolution or winding up or other distribution. After payment to the holders of the Series 2 Preferred Shares of the amount so payable to such holders as herein provided, the holders shall not be entitled to share in any further distribution of the property or assets of the Corporation.

11. Modification

- (a) The provisions attached to the Series 2 Preferred Shares may not be deleted, varied, modified or amended without the prior approval of the holders of the Series 2 Preferred Shares given in accordance with section 11(b) in addition to any vote, authorization, confirmation or approval as may then be required by applicable law.
- (b) Any approval required or permitted to be given by the holders of the Series 2 Preferred Shares with respect to any and all matters referred to herein (in addition to or as distinct from any vote, authorization, confirmation or approval required by applicable law) may be given by an instrument or instruments in writing signed by the holders of all the Series 2 Preferred Shares then outstanding or by a resolution passed at a meeting of the holders of Series 2 Preferred Shares duly called and held on not less than 21 days' notice at which the holders of at least 50% of the outstanding Series 2 Preferred Shares are present or are represented by

proxy and carried by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at the meeting. If at the meeting the holders of at least 50% of the outstanding Series 2 Preferred Shares are not present or represented by proxy within 30 minutes after the time appointed for the meeting, the meeting will be adjourned to such date, not less than 10 days afterwards, and to such time and place as the Chairman may designate, and no notice need be given of the adjourned meeting. At the adjourned meeting, the holders of Series 2 Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed at the adjourned meeting by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at the meeting will constitute the approval of the holders of Series 2 Preferred Shares. On every poll taken at any meeting or adjourned meeting, every holder of Series 2 Preferred Shares will be entitled to one vote in respect of each Series 2 Preferred Share held. Subject to the foregoing, the formalities to be observed in respect of the giving of notice of any meeting or adjourned meeting and the conduct of any such meeting will be those from time to time as may be prescribed in the by-laws of the Corporation with respect to meetings of shareholders.

12. Tax Election

The Corporation will elect, in the manner and within the time provided under section 191.2 of the Tax Act or any successor or replacement provision of similar effect, and take all other necessary action under the Tax Act, to pay tax under Part VI.1 of the Tax Act at a rate such that holders of the Series 2 Preferred Shares will not be required to pay tax on dividends received (or deemed to be received) on the Series 2 Preferred Shares under Part IV.1 of the Tax Act or any successor or replacement provision of similar effect. Nothing in this paragraph shall prevent the Corporation from entering into an agreement with a taxable Canadian corporation with which it is related to transfer all or a portion of the Corporation's liability for tax under section 191.1 of the Tax Act to that taxable Canadian corporation in accordance with the provisions of section 191.3 of the Tax Act.

13. Notices

- (a) *Notice to the Corporation* - Subject to applicable law, any notice, request or other communication to be given to the Corporation by a holder of Series 2 Preferred Shares must be in writing and will be valid and effective if given by mail (postage prepaid) or by electronic communication or by delivery to the registered office of the Corporation and addressed to the attention of the Secretary. Any such notice, request or other communication, if given by mail, electronic communication or delivery, will be deemed to have been given and received only on actual receipt by the Corporation.

- (b) *Presentation and Surrender of Certificates* - Any presentation and surrender by a holder of Series 2 Preferred Shares to the Corporation or the Transfer Agent of certificates representing Series 2 Preferred Shares in connection with the redemption or conversion of Series 2 Preferred Shares must be made by registered mail (postage prepaid) or by delivery to the registered office of the Corporation or to such office of the Transfer Agent as may be specified by the Corporation, in each case addressed to the attention of the Secretary. Any such presentation and surrender of certificates will be deemed to have been made and to be effective only on actual receipt by the Corporation or the Transfer Agent, as the case may be. Any such presentation and surrender of certificates made by registered mail will be at the sole risk of the holder mailing the same.
- (c) *Notice to Holders of Series 2 Preferred Shares* - Subject to applicable law, any notice, request or other communication to be given to a registered holder of Series 2 Preferred Shares by or on behalf of the Corporation must be in writing and may be sent by any one of the following methods: (a) by hand delivery, through the mail, or by a nationally recognized overnight delivery service for next day delivery; (b) by means of fax, e-mail, or other form of electronic transmission; (c) by providing or posting the notice, document or other information on or making it available through a generally accessible electronic source and providing notice of the availability and location of the notice, document or other information to the shareholder via any of the methods specified in (a) and (b) above, including by mail, delivery, fax, e-mail or other form of electronic transmission; or (d) by any other method permitted by applicable law. A notice to a registered holder of Series 2 Preferred Shares by or on behalf of the Corporation shall be deemed to be received as follows: (i) if given by hand delivery, when actually received by a registered holder; (ii) if sent through the mail addressed to a registered holder at the registered holder's address appearing on the share register of the Corporation, at the time it would be delivered in the ordinary course of mail; (iii) if sent for next day delivery by a nationally recognized overnight delivery service addressed to the registered holder at the registered holder's address appearing on the share register of the Corporation, when delivered to such service; (iv) if faxed, when sent to a number at which the registered holder has consented to receive notice and evidence of delivery confirmation is received by sender's fax device; (v) if by e-mail, when sent to an e-mail address at which the registered holder has consented to receive notice; (vi) if sent by any other form of electronic transmission, when sent to the registered holder; (vii) if sent by posting it on or making it available through a generally accessible electronic source referred to in (c) above, on the day such registered holder is sent notice of the availability and location of such notice, document or other information is deemed to have been sent in accordance with (i) through (vi) above; or (vii) if sent by any other method permitted

by applicable law, at the time that such registered holder is deemed to have received such notice pursuant to applicable law. If a registered holder of Series 2 Preferred Shares has consented to a method for delivery of a notice, document or other information, the registered holder may revoke its consent to receiving any notice, document or information by fax or e-mail by giving written notice of such revocation to the Corporation. Accidental failure or omission to give any notice, request or other communication to one or more registered holders of Series 2 Preferred Shares, or any defect in such notice, will not invalidate or otherwise alter or affect any action or proceeding to be taken by the Corporation pursuant to that notice, request or other communication.

14. Interpretation

(a) *Defined Terms* - In these Series 2 Provisions:

“**Accrued Amount**” means, at any date, an amount, calculated on a per Series 2 Preferred Share basis, equal to the sum of (a) all unpaid dividends, whether or not declared, in respect of completed Quarterly Floating Rate Periods preceding the relevant Redemption Date and (b) an amount in cash equal to (x) \$25.00; multiplied by (y) the then current Floating Quarterly Dividend Rate; multiplied by (z) a fraction, the numerator of which is the number of calendar days that will have elapsed in the then current Quarterly Floating Rate Period as of, but excluding, the then relevant Redemption Date, and the denominator of which is the number of days in the then current Quarterly Floating Rate Period; provided in the case of each of (a) and (b), no amount shall be included in the Accrued Amount that would result in the duplication in payment by the Corporation of the amount of any dividend on the Series 2 Preferred Shares.

“**Act**” means the *Business Corporations Act* (Ontario).

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.53%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Board of Directors**” means the board of directors of the Corporation.

“**Book-Entry Only System**” means the record book-entry only securities transfer and pledge system administered by the Depository in accordance with its operating rules and procedures in force from time to time or any successor system thereof.

“**Business Day**” means any day that is not a Saturday, Sunday or any other day that is a “holiday”, as defined in the *Legislation Act*, 2006 S.O. 2006, c. 21, Sch. F, as from time to time amended.

“**Common Shares**” means the Common Shares of the Corporation, and any other securities into which those shares may be changed or for which those shares may be exchanged (whether or not the Corporation is the issuer of such other securities) or any other consideration which may be received by the holders of such shares pursuant to a reorganization, merger or amalgamation of the Corporation or comparable transaction affecting the Common Shares of the Corporation.

“**Conversion Notice**” has the meaning attributed to it in section 5(c)(i).

“**Conversion Privilege**” has the meaning attributed to it in section 5(a)(i).

“**Corporation**” means Hydro One Limited and any successor thereto.

“**Depository**” means CDS Clearing and Depository Services Inc. and its nominees or any successor carrying on the business as a depository, which is approved by the Corporation.

“**Dividend Payment Date**” means the 20th day of the months of November, February, May and August in each year.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.53%.

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such

date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Corporation, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“Ineligible Person” means any person whose address is in, or whom the Corporation or the Transfer Agent for the Series 2 Preferred Shares has reason to believe is a resident of, any jurisdiction outside Canada where the issue or delivery to that person of Series 2 Preferred Shares or Series 1 Preferred Shares would require the Corporation to take any action to comply with securities or analogous laws of that jurisdiction or would give rise to a liability for withholding tax in connection with such issuance or delivery.

“Preferred Shares” means the preferred shares in the capital of the Corporation.

“Quarterly Commencement Date” means the 20th day of each of November, February, May and August in each year.

“Quarterly Floating Rate Period” means, for the initial Quarterly Floating Rate Period, the period commencing on November 20, 2020 and ending on and including February 19, 2021, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“Redemption Date” has the meaning attributed to it in section 4(c).

“Redemption Notice” has the meaning attributed to it in section 4(c).

“Redemption Price” has the meaning attributed to it in section 4(a).

“Secretary” means the Secretary of the Corporation.

“Series 1 Preferred Shares” means the Series 1 Preferred Shares of the Corporation.

“Series 2 Conversion Date” has the meaning attributed to it in section 5(a)(i).

“Series 2 Preferred Shares” means the Series 2 Preferred Shares of the Corporation.

“**Series 2 Provisions**” has the meaning attributed to it in the introductory paragraph to these terms and conditions attaching to the Series 2 Preferred Shares.

“**Share Constraint**” means the ownership restrictions described in the articles of the Corporation.

“**Subsequent Fixed Rate Period**” means, for the initial Subsequent Fixed Rate Period, the period commencing on November 20, 2025 and ending on and including November 19, 2030, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including November 19 in the fifth year thereafter.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada treasury bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

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

“**Transfer Agent**” means Computershare Investor Services Inc., a trust company existing under the laws of Canada, or such other person as from time to time may be the registrar and transfer agent for the Series 2 Preferred Shares, and if the Corporation has not appointed a registrar or transfer agent for the Series 2 Preferred Shares, means the Corporation.

- (b) *Ranking of Shares* - The expressions “superior to”, “on a parity with” and “ranking junior to” and similar expressions refer to the order of priority only in payment of dividends or in the distribution of assets in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation for the purpose of winding-up its affairs.
- (c) *Holder* - References to a “holder” in relation to Series 2 Preferred Shares means a registered holder of those shares.
- (d) *References to Statutes* - Reference to any statute is to that statute as in force from time to time, including any regulations, rules, policy statements or guidelines made under that statute, and includes any statute which may be enacted in substitution of that statute.
- (e) *Other Payment Matters*

- (i) If any date on which any dividend on the Series 2 Preferred Shares is payable or on or by which any other action is required to be taken by the Corporation under these Series 2 Provisions is not a Business Day, then the dividend will be payable, or such other action will be required to be taken, on or by the next day that is a Business Day.
- (ii) In the event of the non-receipt of a cheque by a holder of Series 2 Preferred Shares entitled to the cheque, or the loss or destruction of the cheque, the Corporation, on being furnished with reasonable evidence of non-receipt, loss or destruction, and an indemnity reasonably satisfactory to the Corporation, will issue to the holder a replacement cheque for the amount of the original cheque.
- (iii) The Corporation will be entitled to deduct or withhold from any amount payable to a holder of Series 2 Preferred Shares under these Series 2 Provisions any amount required by law to be deducted or withheld from that payment.

15. Book-Entry Only System

- (a) *Transfers etc. Through Participants* - If the Series 2 Preferred Shares are held through the Book-Entry Only System, then the beneficial owner thereof shall provide instructions with respect to Series 2 Preferred Shares only to the Depository participant through whom such beneficial owner holds such Series 2 Preferred Shares and registrations of ownership, transfers, purchases, surrenders and exchanges of Series 2 Preferred Shares will be made only through the Book-Entry Only System. Beneficial owners of Series 2 Preferred Shares will not have the right to receive share certificates representing their ownership of the Series 2 Preferred Shares.
- (b) *Depository is Registered Holder* - For the purposes of these Series 2 Provisions, as long as the Depository, or its nominee, is the registered holder of the Series 2 Preferred Shares, the Depository, or its nominee, as the case may be, will be considered the sole holder of the Series 2 Preferred Shares for the purpose of receiving notices or payments on or in respect of the Series 2 Preferred Shares, including payments of dividends on the Series 2 Preferred Shares, the Redemption Price or accrued and unpaid dividends, and the delivery of Series 1 Preferred Shares and certificates for those shares on the conversion into Series 1 Preferred Shares.

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.

7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2015/10/~~30~~²³

(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.


HYDRO ONE LIMITED

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une).

By/
Par :



(Signature)
(Signature)



(Description of Office)
(Fonction)