

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities. All shelf information omitted from this shelf prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with the base shelf prospectus.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered, sold or delivered within the United States of America and its territories and possessions except in certain transactions exempt from the registration requirements of such Act. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Each shelf prospectus supplement will be incorporated by reference into this shelf prospectus for the purposes of securities legislation as of the date of the shelf prospectus supplement and only for the purposes of the distribution of the securities to which the shelf prospectus supplement pertains. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Hydro One Inc., 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario, M5G 2P5, (416) 345-6044 and are also available electronically at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue

December 14, 2015



HYDRO ONE INC.
\$3,500,000,000
Medium Term Notes
(unsecured)

Hydro One Inc. (the “company”) may offer and issue from time to time medium term notes (the “Notes”) in an aggregate principal amount of up to \$3.5 billion in Canadian currency (or the equivalent thereof in other currencies or currency units at the time of issue) during the twenty-five months from the date of issuance of the receipt for this short form prospectus.

The Notes will have a term to maturity of not less than one year and will be issuable in Canadian currency (or in other currencies or currency units) in fully registered definitive or global form, in which case the Notes will be exchangeable only under certain conditions for definitive Notes.

Notes issued hereunder will be direct unsecured obligations of the company, will be issued under a trust indenture in any number of series or separate issues thereof, and will at their respective dates of issue rank *pari passu* with all other unsecured and unsubordinated Indebtedness (as defined below) of the company then outstanding, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the company.

The specific variable terms of an offering of Notes (including the aggregate principal amount of the Notes being offered, the currency or currencies, the issue and delivery date, the form, the maturity date, the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the issue price, the interest payment date(s), any redemption or repayment provisions, any provisions entitling the company to extend the maturity date of the Notes,

the name(s) of the dealer(s) offering the Notes, the commission payable to such dealer(s), the method of distribution and the net proceeds to the company) will be set forth in a prospectus supplement or pricing supplement which will accompany this short form prospectus. Unless otherwise indicated in a prospectus supplement or pricing supplement, the Notes will not be listed on any securities exchange.

This short form prospectus does not qualify the issuance of Notes: (i) entitling the holder to exchange or convert the Notes into securities issued by the company or into securities issued by another entity; or (ii) in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, however, this short form prospectus does qualify for issuance Notes in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or a bankers' acceptance rate, or to recognized market benchmark interest rates, such as CDOR, LIBOR or EURIBOR, or to interest rates on Government of Canada bonds.

Investing in the Notes involves risks. See “Risk Factors” in this short form prospectus, which may be amended or supplemented in any prospectus supplement or pricing supplement.

Unless otherwise indicated in a prospectus supplement or pricing supplement, there is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See “Agent for Service of Process in Canada.”

RATES ON APPLICATION

The Notes may be offered severally by one or more of BMO Nesbitt Burns Inc., Casgrain & Company Limited, CIBC World Markets Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to the dealer agreement referred to under the heading “Plan of Distribution” or such other dealers as may be selected from time to time by the company (the “Dealers”), in each case acting as agent of the company or as principal. Where the Notes are offered by the Dealer(s) as agent, the commissions payable in connection with sales of such Notes shall be agreed from time to time between the company and any such Dealers. Where the Notes are purchased by the Dealer(s) as principal, the Notes shall be purchased at such prices and with such commissions as may be agreed from time to time between the company and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. In each case, the commissions payable, if any, will be set forth in a prospectus supplement or pricing supplement that will accompany and be incorporated by reference in this short form prospectus. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the company. The company may also offer the Notes directly to potential purchasers pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the company.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are subsidiaries or affiliates of lenders (the “HOI Lenders”) that have made (i) a \$1.5 billion unsecured revolving credit facility (the “2013 Credit Facility”) and (ii) a \$800 million unsecured revolving credit facility (the “2015 Credit Facility”, and together with the 2013 Credit Facility, the “Credit Facilities”) available to the company. In addition, BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc.,

RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are subsidiaries or affiliates of lenders (the “HOL Lenders”, and together with the HOI Lenders, the “Lenders”) that have made a \$250 million operating credit facility (the “HOL Credit Facility”) available to the company’s sole shareholder, Hydro One Limited (“HOL”). As of December 14, 2015, there is no outstanding indebtedness under the 2013 Credit Facility, the 2015 Credit Facility or the HOL Credit Facility. However, if and when there is outstanding indebtedness to any of the HOI Lenders under the Credit Facilities, to any of the HOL Lenders under the HOL Credit Facility, or under any future credit facility with one or more of the Lenders, the company may be considered a connected issuer of those Dealers who are affiliates of such Lenders for purposes of securities laws in Canada. See “Plan of Distribution”.

The offering of Notes is subject to the approval of certain legal matters on behalf of the company by Osler, Hoskin & Harcourt LLP and on behalf of the Dealers by Blake, Cassels & Graydon LLP.

The company’s head and registered office is located at 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario, M5G 2P5.

The company’s consolidated financial statements incorporated by reference in this short form prospectus have been prepared in accordance with U.S. generally accepted accounting principles. Unless otherwise specified or the context otherwise requires, all references herein to currency are references to Canadian dollars.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been filed with the securities commission or similar regulatory authority in each of the provinces of Canada, are specifically incorporated by reference in this short form prospectus:

- (a) the annual information form of the company dated February 27, 2015 (the “AIF”);
- (b) the comparative audited consolidated financial statements of the company, and the notes thereto, as at and for the fiscal years ended December 31, 2014 and 2013, together with the report of the auditors thereon dated February 11, 2015;
- (c) management’s discussion and analysis of financial results (“MD&A”) for the year ended December 31, 2014;
- (d) the unaudited consolidated financial statements of the company, and the notes thereto, as at September 30, 2015 and for the three and nine month periods ended September 30, 2015 and September 30, 2014 together with MD&A for those periods;
- (e) the material change report of the company dated September 18, 2015 regarding the secondary offering of common shares by HOL and certain transactions in connection with such offering involving the capital structure of the company; and
- (f) the disclosure in the following sections of the supplemented PREP prospectus of HOL dated October 29, 2015 (the “HOL Prospectus”) in respect of the secondary offering of common shares of HOL (the “IPO”) by the Province of Ontario (the “Province”):
 - (i) “Meaning of Certain References” at page 1 of the HOL Prospectus;
 - (ii) “Market and Industry Data” at pages 4 to 5 of the HOL Prospectus;
 - (iii) the disclosure under the subheadings “Overview”, “Ontario’s Electricity Industry – Regulation of Transmission and Distribution”, “Ontario’s Electricity Industry – Transmission” and “Ontario’s Electricity Industry – Distribution” in “Electricity Industry” at pages 21 to 22, pages 24 to 25, pages 25 to 26 and pages 26 to 27, respectively, of the HOL Prospectus;

- (iv) “Rate-Regulated Utilities” at pages 30 to 34 of the HOL Prospectus;
 - (v) “Business of Hydro One” at pages 35 to 52 of the HOL Prospectus;
 - (vi) “Pre-Closing Transactions” at pages 100 to 102 of the HOL Prospectus;
 - (vii) “Corporate Structure – Corporate Structure and Subsidiaries” at pages 103 to 104 of the HOL Prospectus;
 - (viii) “Departure Tax” at page 108 of the HOL Prospectus;
 - (ix) the disclosure under the subheadings “Overview”, “Governance Agreement – Subsidiary Governance”, “Termination of Existing Shareholder Declarations and Resolutions” and “Ontario Electricity Financial Corporation Indemnity” in “Governance and Relationship with Principal Shareholder” at pages 110 to 111, page 119, pages 121 to 122 and page 122, respectively, of the HOL Prospectus;
 - (x) “Directors and Management of the Company” at pages 123 to 136 of the HOL Prospectus;
 - (xi) “Executive Compensation” at pages 136 to 153 of the HOL Prospectus;
 - (xii) “Directors’ Compensation” at pages 153 to 154 of the HOL Prospectus;
 - (xiii) “Risk Factors” at pages 160 to 173 of the HOL Prospectus, excluding the disclosure under the subheading “Risks Relating to this Offering”;
 - (xiv) “Interests of Management and Others in Material Transactions” at pages 174 to 175 of the HOL Prospectus; and
 - (xv) “Glossary” at pages 178 to 182 of the HOL Prospectus.
- (collectively, the “Included Sections”).

The Included Sections have been incorporated by reference into, and form a part of, this short form prospectus because they supplement certain of the company’s historical disclosure and they also contain a description of the impacts to the company and its subsidiaries as a result of the IPO and related transactions. As the Included Sections were prepared in advance of the completion of the IPO on November 5, 2015 (the “IPO Closing”), certain portions of the Included Sections contain future-looking statements, such as “prior to the closing of this offering”, “on closing”, “on or prior to closing of this offering”, “concurrently with the closing of this offering”, “upon completion of this offering” and phrases of similar effect. Accordingly, and for greater certainty, all transactions, agreements and other matters contemplated in the Included Sections to be completed, entered into or to take effect on or prior to the IPO Closing were completed, entered into or made effective, as the case may be, in the manner contemplated by the Included Sections. As such, unless otherwise indicated in this short form prospectus, this short form prospectus should be read with the understanding that such transactions, agreements and other matters contemplated in the Included Sections have been completed, entered into or made effective, as the case may be, in the manner contemplated by the Included Sections. The company has determined there is no material information in the HOL Prospectus relating to the company or the Notes that has not been incorporated by reference into this short form prospectus.

Updated earnings coverage ratios, as required, will be filed quarterly with the appropriate securities regulatory authorities either as prospectus supplements or as part of the company’s unaudited interim and audited annual consolidated financial statements and will be deemed to be incorporated by reference into this short form prospectus for the purposes of the offering of Notes hereunder.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including documents of the types referred to in

paragraphs (a) through (e) above (except confidential material change reports), and any business acquisition reports filed by the company with the securities regulatory authorities in Canada since the end of the financial year in respect of which its then current annual information form is filed, shall be deemed to be incorporated by reference into this short form prospectus. Upon a new annual information form and new annual financial statements and related MD&A being filed by the company with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the Included Sections, the previous annual information form, previous annual financial statements and related MD&A, and all previous interim financial statements and related MD&A filed prior to the commencement of the company's financial year in which the new annual information form, new annual financial statements and related MD&A are filed shall be deemed no longer to be incorporated into this short form prospectus for purposes of future offers and sales of Notes hereunder.

A pricing supplement or prospectus supplement containing the specific variable terms for an issue of Notes will be delivered to purchasers of such Notes together with this short form prospectus and will be deemed to be incorporated by reference into this short form prospectus as of the date of the pricing supplement or prospectus supplement, solely for the purposes of the Notes issued under that pricing supplement or prospectus supplement. Any template version of marketing materials for an issue of Notes filed by the company with the securities regulatory authorities in Canada after the date of the pricing supplement or prospectus supplement in respect of such issue of Notes and before the termination of the distribution of such Notes will be deemed to be incorporated by reference into that pricing supplement or prospectus supplement.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded and not incorporated by reference, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or 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. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This short form prospectus, including the documents incorporated by reference herein, contains "forward-looking information" within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about the business of the company and the industry in which the company operates and includes beliefs and assumptions made by the management of the company. Such information includes, but is not limited to, statements about the general development of the company's business, the company's strategy, future capital expenditures, and expectations regarding developments in the statutory and operating framework for electricity distribution and transmission in Ontario. Additional forward-looking information is identified in the various documents incorporated by reference in this short form prospectus, including the section entitled "Forward-Looking Information" in the company's annual information form and the section entitled "Forward-Looking Statements and Information" in the company's MD&A. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. The forward-looking information contained in this short form prospectus, including the documents incorporated by reference herein, are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. In particular, this forward-looking information is based on a variety of factors and assumptions including, but not limited to: no unforeseen changes in the legislative and operating framework for Ontario's electricity market; favourable decisions from the Ontario Energy Board and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining required approvals; no unforeseen changes in rate orders or rate setting methodologies for the company's distribution and transmission businesses; no unfavourable changes in environmental regulation; the continued use and availability of U.S. GAAP; a stable regulatory environment; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to the company including information obtained by the company from third-party sources. Actual

outcomes and results may differ materially from what is expressed, implied or forecasted in this forward-looking information. While the company does not know what impact any of these differences may have, the company's business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are discussed in more detail under "Risk Factors" in this short form prospectus and in any prospectus supplement or pricing supplement and in the sections entitled "Forward-Looking Information" and "Risk Factors" in the company's annual information form and the sections entitled "Risk Management and Risk Factors" and "Forward-Looking Statements and Information" in the company's MD&A. You should carefully consider these and other factors and not place undue reliance on forward-looking information.

The company does not intend, and the company disclaims any obligation, to update any forward-looking information, except as required by law.

THE COMPANY

The company is the largest electricity transmission and distribution company in Ontario. The company owns and operates substantially all of Ontario's electricity transmission network, and the company is the largest electricity distributor in Ontario by number of customers.

The company has three business segments: (i) transmission; (ii) distribution; and (iii) other business.

The company's transmission business consists of owning, operating and maintaining its transmission system, which accounts for 96% of Ontario's transmission network. This includes the company's 66% interest in B2M Limited Partnership, a limited partnership between the company and the Saugeen Ojibway Nation in respect of the Bruce-to-Milton transmission line. The company's transmission business is a rate-regulated business that earns revenues mainly from charging transmission rates that must be approved by the Ontario Energy Board. The company's transmission business accounted for approximately 72% of its total net income in 2014. All of the company's transmission business is carried out by its wholly-owned subsidiary, Hydro One Networks Inc., except for the portion of its business held through B2M Limited Partnership, which the company controls.

The company's distribution business consists of owning, operating and maintaining its distribution system, which the company owns primarily through its wholly-owned subsidiary, Hydro One Networks Inc., the largest local distribution company in Ontario. The company's distribution system is also the largest in Ontario, and principally serves rural communities. The company's distribution business is a rate-regulated business that earns revenues mainly by charging distribution rates that must be approved by the Ontario Energy Board. The company's distribution business accounted for approximately 28% of its total net income in 2014 (which included the net income of Hydro One Brampton Networks Inc., which was a subsidiary of the company until August 31, 2015). The company's distribution business also includes the business of its wholly-owned subsidiary, Hydro One Remote Communities Inc., which operates on a cost-recovery basis and supplies electricity to customers in remote communities in northern Ontario.

The company's transmission and distribution businesses are both operated through Hydro One Networks Inc. This allows both businesses to utilize common operating platforms, technology, work processes, equipment and field staff and thereby take advantage of operating efficiencies and synergies. For regulatory purposes, Hydro One Networks Inc. files separate rate applications with the Ontario Energy Board for each of its licensed transmission and distribution businesses.

The Ontario Energy Board regulates the company's transmission and distribution businesses and issues rate orders to establish the revenue requirements required to cover the approved cost of these businesses plus a specified rate of return.

The company's other business segment includes certain corporate activities and is not rate-regulated.

The company is a wholly-owned subsidiary of HOL. The address of the head and registered office and principal place of business of the company is 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario, M5G 2P5.

CREDIT RATINGS

As of the date of this short form prospectus, the Notes have been rated A by Standard & Poor's Ratings Services ("S&P") and A (high) by DBRS Limited ("DBRS") and have been provisionally rated A3 by Moody's Investors Services, Inc. ("Moody's"). The following information relating to credit ratings is based on information made available to the public by the rating agencies.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The rating agencies rate long-term debt instruments by rating categories ranging from a high of AAA to a low of D (C in the case of Moody's). Long-term debt instruments which are rated in the A category by S&P are in the third highest category and mean the obligor's capacity to meet its financial commitments and obligations is strong but is considered somewhat more susceptible to the adverse effects of changes in circumstances and adverse economic conditions than obligations in higher rated categories. S&P may modify the ratings from AA to CCC using a plus (+) or minus (-) sign to show relative standing within the major rating categories. Long-term debt instruments which are rated in the A category by DBRS are in the third highest category and are considered to be of a good credit quality, with substantial capacity for the payment of financial obligations. Entities in the A category are considered to be vulnerable to future events, but qualifying negative factors are considered manageable. The "high" modifier indicates relative standing within this rating category by DBRS. Long-term debt instruments which are rated in the A category by Moody's are in the third highest category and are considered upper-medium grade and are subject to low credit risk. Moody's applies numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category. The A3 rating assigned to the Notes by Moody's is a provisional rating and a definitive rating will be assigned to each offering of Notes under this short form prospectus only after Moody's reviews the terms and conditions of the drawdown. In some circumstances, no rating may be assigned to a drawdown, and if a definitive rating is issued, it may differ from the provisional rating.

The ratings mentioned above are not a recommendation to purchase, sell or hold the company's debt securities including the Notes and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely by any or all of S&P, DBRS and Moody's at any time in the future if in their judgment circumstances so warrant.

The company has made, and anticipates making, payments to each of S&P, DBRS and Moody's pursuant to the ratings agency services agreements entered into with such credit rating organizations with respect to the ratings assigned to the long-term debt of the company. In addition, as Notes are issued, the company expects to make payments to such credit rating organizations pursuant to the ratings agency services agreements entered into with such credit rating organizations for the ratings they assign to the Notes of a particular series. The company has also made payments to S&P for ratings evaluation services in connection with the IPO and to DBRS for ratings evaluation services in connection with the disposition of Hydro One Brampton Networks Inc. There have been no other services provided by any of such credit rating organizations to the company within the last two years.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the company, and Blake, Cassels & Graydon LLP, counsel to the Dealers, unless otherwise specified in the applicable prospectus supplement or pricing supplement, the Notes, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "Tax Act") for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan, registered disability savings plan, deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan for which any employer is the company or an employer who does not deal with the company at arm's length, within the meaning of the Tax Act) or a tax-free savings account ("TFSA").

The Notes will not be a "prohibited investment" for a TFSA, RRSP or RRIF, provided that the holder of the TFSA or the annuitant under a RRSP or RRIF, (i) deals at arm's length with the company for purposes of the Tax Act, and (ii) does not have a "significant interest", within the meaning of the Tax Act, in the company. Holders of a TFSA and annuitants under a RRSP or RRIF should consult their own tax advisors as to whether the Notes will be a "prohibited investment" for such TFSA, RRSP or RRIF in their particular circumstances.

EARNINGS COVERAGE RATIOS

For the twelve months ended December 31, 2014 and the twelve months ended September 30, 2015, the company's consolidated income before provision for payment in lieu of corporate income taxes and interest expense (net of capitalized interest) was \$1,218 million and \$1,281 million, respectively. Interest expense (net of capitalized interest) for these periods was \$379 million and \$380 million, respectively, and including capitalized interest, was \$426 million and \$429 million, respectively. Preferred share dividends declared for each of these periods were \$18 million.

The following table sets forth the earnings coverage ratio for the company for the twelve month period ended December 31, 2014, based on audited information, and for the twelve month period ended September 30, 2015, based on unaudited information, in each case without giving effect to any Notes to be issued under this short form prospectus:

	<u>December 31, 2014</u>	<u>September 30, 2015</u>
Earnings coverage on long-term debt obligations ⁽¹⁾⁽²⁾	2.77	2.89

- (1) The earnings coverage ratio has been calculated as the sum of net income attributable to the shareholder of the company, provision for payments in lieu of corporate income taxes and financing charges divided by the sum of financing charges, capitalized interest and cumulative preferred dividends.
- (2) The earnings coverage ratio has been adjusted to give effect to the issuance on April 30, 2015 of \$350 million of 1.62% medium term notes due April 30, 2020, as if such notes had been issued at the beginning of each respective twelve month period noted above. For the purpose of calculating the earnings coverage ratio for the periods noted above, it has also been assumed that the proceeds of such notes were used to repay the floating rate and fixed rate medium term notes maturing in July and September 2015, respectively.

DESCRIPTION OF THE NOTES

General

The following is a summary of the material attributes and characteristics of the Notes, and does not purport to be complete and is qualified in its entirety by reference to the Notes and the Trust Indenture (as defined below).

The terms and conditions set forth in this section "Description of the Notes" will apply to each Note unless otherwise specified in the applicable prospectus supplement or pricing supplement. The company reserves the right to set forth in a prospectus supplement or pricing supplement specific variable terms of or amendments to the Notes which are not within the options and parameters set forth in this short form prospectus. References in this section "Description of the Notes" refer to all medium term notes of the company which have previously been or are to be issued under the Trust Indenture.

This short form prospectus qualifies under applicable Canadian securities laws the distribution of \$3.5 billion aggregate principal amount of Notes in Canadian currency (or the equivalent thereof in other currencies or currency units at the time of issue) which have been authorized for issue under the Trust Indenture. This amount is subject to amendment from time to time as determined by the company. The company has previously issued \$2.163 billion aggregate principal amount of medium term notes under its short form prospectus dated September 4, 2013.

Notes issued hereunder will have a term to maturity of not less than one year and will be issuable in Canadian currency (or in other currencies or currency units at the time of issue) in fully registered definitive or global form, in which case the Notes will be exchangeable only under certain conditions for definitive Notes (as described under the heading "Global Notes" below). Each interest-bearing Note will bear interest at either a fixed rate (a "Fixed Rate Note") or a floating rate (a "Floating Rate Note"). Notes will be issued from time to time at such rates of interest and at par, at a premium or at a discount, may be subject to redemption or repayment prior to maturity, or may include terms entitling the company to extend the maturity dates of the Notes, which terms shall be determined by the company based on a number of factors, including advice from the Dealers. The Notes will be unsecured and will, at their respective dates of issue, rank *pari passu* with all other unsecured and unsubordinated Indebtedness and obligations of the company then outstanding, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the company. The company may also, from time to time, issue debt

securities and incur additional debt otherwise than through the issuance of Notes pursuant to this short form prospectus.

Neither the aggregate principal amount of Notes which will be issued and sold nor the issue price to the public of the Notes has been established as the Notes will be issued at such times, in such amounts and at such prices as the company determines from time to time. Notes issued hereunder will be offered and sold during the twenty-five months from the date of issuance of the receipt for this short form prospectus at prices negotiated with the purchasers, and the prices at which the Notes will be offered and sold may vary as between purchasers and during the distribution period. The Notes will be issued from time to time at the discretion of the company in an aggregate principal amount not to exceed \$3.5 billion in Canadian currency, or the equivalent thereof calculated at the applicable rates of exchange prevailing at the time of issue of Notes issued in currencies other than Canadian currency.

The specific variable terms of any offering of Notes, including, in the case of Floating Rate Notes, the information necessary for the calculation of interest thereon, will be set forth in a prospectus supplement or pricing supplement to this short form prospectus. Where Notes are offered and sold in currencies other than Canadian dollars, the Canadian dollar equivalent of the offering price and the rate of exchange at the last feasible date will be included in the applicable prospectus supplement or pricing supplement.

Trust Indenture

The Notes will be issued under a trust indenture dated as of June 4, 2001, as supplemented or modified from time to time (collectively, the “Trust Indenture”) between the company and Computershare Trust Company of Canada, as trustee (the “Trustee”, which term shall include, unless the context otherwise requires, its successors and assigns). The following is a brief summary of the material attributes and characteristics of the Trust Indenture. This summary does not purport to be complete and reference should be made to the Trust Indenture for more detailed information.

The Trust Indenture permits the issuance from time to time of additional unsecured medium term notes without limitation as to aggregate principal amount, subject to compliance with the covenants contained therein.

The Notes will be direct obligations of the company and will rank *pari passu* with all other medium term notes from time to time issued and outstanding under the Trust Indenture and with other present and future unsubordinated and unsecured Indebtedness of the company, except as to any sinking fund which pertains exclusively to any particular Indebtedness of the company. The Notes will not be secured by any mortgage, pledge or charge, except in the circumstances referred to under the subheading “Negative Pledge”.

Negative Pledge

The Trust Indenture contains provisions to the effect that the company will not, nor will it permit any Designated Subsidiary (as defined below) to, create, assume or suffer to exist any Security Interest (as defined below) on any of the company’s or the Designated Subsidiary’s assets to secure any Obligation (as defined below) unless at the same time it shall secure all the Notes then outstanding on an equal basis. This covenant is, however, subject to the following exceptions:

- any Security Interest that secures the Obligations of a Designated Subsidiary which exists prior to the date on which it becomes a Designated Subsidiary and which (a) was not incurred in contemplation of that person becoming a Designated Subsidiary and (b) was not applicable to the company or any other Designated Subsidiary or the properties or assets of the company or any other Designated Subsidiary;
- any Security Interest granted by the company or a Designated Subsidiary to secure the Notes;
- any Purchase Money Mortgage (as defined below) or Capital Lease Obligation (as defined below) of the company or any Designated Subsidiary;

- any Security Interest on a property or asset acquired by the company or a Designated Subsidiary that secures the Obligations of a person, whether or not that Obligation is assumed by the acquiring person, which Security Interest exists at the time that property or asset is acquired and which (a) was not incurred in contemplation of that property or asset being acquired and (b) was not applicable to the company or any other Designated Subsidiary or the properties or assets of the company or any other Designated Subsidiary;
- any Security Interest given in the ordinary course of business by the company or a Designated Subsidiary to any bank or banks or other lenders to secure any Indebtedness payable on demand or maturing within 18 months of the date that Indebtedness is incurred or of the date of any renewal or extension of that Indebtedness;
- any Security Interest granted by any Designated Subsidiary in favour of the company or any Wholly-Owned Designated Subsidiary (as defined below);
- any Security Interest on or against cash or marketable debt securities pledged to secure any non-speculative Financial Instrument Obligation (as defined below) which hedges Indebtedness of the company or of a Designated Subsidiary;
- any Security Interest for taxes, assessments, government charges or claims that are being contested in good faith and in respect of which appropriate provision is made in the company's consolidated financial statements in accordance with GAAP;
- Security Interests securing appeal bonds or other similar Security Interests arising in connection with contracts, bids, tenders or court proceedings, including, without limitation, surety bonds, security for costs of litigation where required by law and letters of credit, or any other instruments serving a similar purpose;
- a Security Interest in cash or marketable debt securities in a sinking fund account established by the company in support of a series of Notes;
- a lien or deposit under workers' compensation, social security or similar legislation or good faith deposits in connection with bids, tenders, leases, contracts or expropriation proceedings, or deposits to secure public or statutory obligations or deposits of cash or obligations to secure surety and appeal bonds;
- any lien or privilege imposed by law, such as builders', carriers', warehousemen's, landlords', mechanics' and material men's liens and privileges, and any lien or privilege arising out of judgments or awards with respect to which the company or a Designated Subsidiary at the time is prosecuting an appeal or proceedings for review and with respect to which it has secured a stay of execution pending that appeal or proceedings for review; or any liens for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the company or a Designated Subsidiary in good faith; or undetermined or inchoate lien privileges and charges incidental to current operations which have not at such time been filed pursuant to law against the company or a Designated Subsidiary or which relate to obligations not due or delinquent; or the deposit of cash or securities in connection with any lien or privilege referred to in this clause;
- any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions as to the company's use of real property, which do not in the aggregate materially detract from the value of that property or materially impair its use in the operation of the business of the company or a Designated Subsidiary;
- any right reserved to or vested in, whether by statutory provision or otherwise, any municipality or governmental or other public authority to terminate, purchase assets used in connection with or

require annual or other periodic payments as a condition to the continuance of, any lease, license, franchise, grant or permit acquired by the company or a Designated Subsidiary;

- any lien or right of distress reserved in or exercisable under any lease for rent and for compliance with the terms of that lease;
- any Security Interest granted by the company or a Designated Subsidiary to a public utility or any municipality or governmental or other public authority when required by that utility, municipality or other authority in connection with the operations of the company or a Designated Subsidiary;
- any reservation, limitation, proviso or condition, if any, expressed in any original grants to the company or a Designated Subsidiary from the Crown; and
- any extension, renewal, alteration, substitution or replacement, in whole or in part, of any Security Interest referred to in the foregoing clauses, provided that the Security Interest is limited to all or part of the same property that secured the Security Interest, the principal amount of the secured Obligations is not increased by that action, the term of the secured Indebtedness is not shortened and the terms and conditions are no more restrictive in any material respect than the Security Interest so extended.

In addition to the Security Interests permitted above, the company or any Designated Subsidiary may create, assume or suffer to exist any Security Interest on any of its assets if, after giving effect to that Security Interest, the aggregate amount of Indebtedness secured by the Security Interests permitted only by this paragraph does not at that time exceed 5% of the Consolidated Net Worth (as defined below) of the company.

Limitation on Funded Obligations

So long as any of the Notes issued under the Trust Indenture remain outstanding, neither the company nor any of its Designated Subsidiaries will, directly or indirectly, guarantee, incur, issue or become liable for or in respect of any Funded Obligations (as defined below) unless after giving pro forma effect to that guarantee, incurrence, issuance or liability, including the application or use of the resulting net proceeds, the aggregate principal amount of Consolidated Funded Obligations (as defined below) does not exceed 75% of the Total Consolidated Capitalization (as defined below). This covenant, however, will not prevent the incurrence of Capital Lease Obligations, Purchase Money Obligations and non-speculative Financial Instrument Obligations.

Ceasing to be a Designated Subsidiary

The Board of Directors of the company may elect that any Designated Subsidiary cease to be a Designated Subsidiary, except that an election may not be made in respect of any Designated Subsidiary:

- if the Designated Subsidiary owns any Funded Obligations of the company or any shares, voting interests or Funded Obligations of any other Designated Subsidiary;
- if the Designated Subsidiary owns or has any ownership interest in any Principal Property (as defined below); or
- if, after giving effect to the election, the company would not be entitled to issue Funded Obligations in the principal amount of at least \$1.00.

Mergers, Consolidations and Sales of Assets

The company will not enter into any transaction in which all or substantially all of its property and assets would become the property of any other person, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- the company shall be the surviving person, or the person, if other than the company, formed by the amalgamation, consolidation or into which the company is merged or that acquires by disposition

all or substantially all of the property or assets of the company, shall be a company organized and validly existing under the federal laws of Canada or any of its provinces or territories and shall expressly assume, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the company's obligations under the Trust Indenture;

- immediately before and after giving effect to the transaction, no Event of Default (as defined below) or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing; and
- neither the company nor any successor, either at the time of or immediately after the consummation of any such transaction, will be insolvent or generally fail to meet, or admit in writing its inability or unwillingness to meet, its obligations as they generally become due.

Events of Default

Each of the following is an Event of Default under the Trust Indenture with respect to Notes of any series:

- (1) failure to pay any principal or premium, if any, on any Notes when due, at maturity, upon redemption or otherwise and the continuance of such default for a period of five days;
- (2) failure to pay any interest on any Notes when due and the continuance of that default for a period of 45 days;
- (3) the sale, transfer or other disposition of all or substantially all of the company's undertaking or assets other than in accordance with the covenant described above under the subheading "Mergers, Consolidations and Sales of Assets";
- (4) default in the performance or breach of any other covenant or agreement of the company under the Trust Indenture, any supplemental indenture or the Notes and the continuance of that default for a period of 60 days after written notice to the company by the Trustee or by holders of at least 25% of all Notes issued under the Trust Indenture;
- (5) default by the company or any Material Subsidiary (as defined below), whether as primary obligor, guarantor or surety, on any payment of principal, premium, if any, or interest on any Indebtedness, the outstanding principal amount of which Indebtedness exceeds \$100 million in the aggregate, beyond any applicable grace period or failure to perform or observe any other agreement, term or condition contained in any agreement under which that Indebtedness is created, or if any default, failure or other event under that agreement shall occur and be continuing, and the effect of that default, failure or other event is to cause \$100 million or more of that Indebtedness to become due or to be required to be repurchased prior to any stated maturity;
- (6) the rendering of a judgment or judgments, not subject to appeal, against the company or any Material Subsidiary in an aggregate amount in excess of \$100 million by a court or courts of competent jurisdiction, which judgment or judgments remain undischarged and unstayed for a period of 60 days; and
- (7) specified events of bankruptcy, insolvency or reorganization affecting the company or any Material Subsidiary.

If an Event of Default applicable only to the issued and outstanding Notes of a series occurs and is continuing, either the Trustee or the holders of not less than 25% in principal amount of Notes of that series then outstanding may declare the principal of, and interest and premium, if any, on all Notes of that series to be due and payable immediately.

If, however, an Event of Default applicable to all Notes issued and outstanding under the Trust Indenture, or an Event of Default described in clause (5), (6), or (7) above occurs and is continuing, either the Trustee or the

holders of not less than 25% in principal amount of all issued and outstanding Notes, treated as one class, may declare the principal amount of all the Notes then outstanding to be due and payable immediately.

Subject to the provisions of the Trust Indenture relating to the duties of the Trustee, in case an Event of Default applicable to any Notes shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Trust Indenture at the request or direction of any of the holders of those Notes, unless those holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in principal amount of Notes of all series affected by an Event of Default will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee in respect of the Notes of all series affected by that Event of Default.

Defeasance

The Trust Indenture requires the Trustee to release the company from its obligations under the Trust Indenture relating to a particular series of Notes if specified conditions are satisfied. Among other things, the company must deposit money or securities for the payment of all principal of and interest and any other amounts on that series of Notes as well as for the payment of the expenses of the Trustee. The deposited money or securities must be denominated in the currency in which principal of these Notes is payable and, in the case of deposited securities, must constitute direct obligations of Canada or specified provinces of Canada or an agency or instrumentality of Canada.

Amendments and Waivers

The Trust Indenture provides that the company and the Trustee may enter into supplemental indentures (“Supplemental Indentures”) without the consent of the holders of the Notes of any or all series to:

- add limitations or restrictions to be observed upon the amount or issue of Notes, provided that such limitations or restrictions shall not be materially adverse to the interests of the holders of the Notes;
- add covenants for the protection of the holders of the Notes of any series;
- provide for any additional Event of Default;
- make such provisions not inconsistent with the Trust Indenture as may be necessary or desirable with respect to matters or questions arising thereunder, including the making of any modifications in the form of the Notes which do not affect the substance thereof and which it may be expedient to make, provided that such provisions and modifications will not adversely affect the holders of Notes;
- provide for the issue of Notes of any one or more series and establish the form and terms of any series of Notes;
- evidence the succession, or successive successions, of successors to the company and the covenants and obligations assumed by any such successor, in accordance with the provisions of the Trust Indenture; and
- giving effect to any extraordinary resolution or ordinary resolution of the holders of Notes in accordance with the Trust Indenture.

Other amendments and modifications of the Trust Indenture, Supplemental Indentures and Notes may be made by the company and the Trustee with the consent of the holders of not less than 66 $\frac{2}{3}$ % (and in certain circumstances, a majority) in principal amount of Notes of all series voting on such amendment or modification and, if the rights of holders of Notes of a particular series of Notes would be affected differently than rights of holders of Notes of other series, not less than 66 $\frac{2}{3}$ % (and, in certain circumstances, a majority) in principal amount of Notes of

the series so affected by that modification or amendment voting on such amendment or modification, in each case, voting as one class. However, no modification or amendment may, without the consent of the holder of each outstanding Note of the affected series,

- reduce the principal amount at maturity of, extend the fixed maturity of, or alter the redemption provisions of, those Notes;
- change the currency in which those Notes or any premium or accrued interest is payable;
- reduce the percentage in principal amount at maturity outstanding of those Notes that must consent to an amendment, supplement or waiver or consent to take any action under the Trust Indenture, Supplemental Indenture or those Notes;
- impair the right to institute suit for the enforcement of any payment on or with respect to those Notes;
- waive a default in payment with respect to those Notes;
- reduce the rate or extend the time for payment of interest on those Notes;
- affect the ranking of those Notes in a manner adverse to the holders; or
- make any changes to the Trust Indenture, Supplemental Indentures or those Notes that would result in the company being required to make any withholding or deduction from payments made under or with respect to those Notes.

The holders of 66⅔% in principal amount of the Notes of all series with respect to which an Event of Default shall have occurred and be continuing, voting as one class, may waive any Event of Default, except in the case of a default in payment of principal with respect to the Notes or except, further, in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding Note affected.

Definitions

In addition to the definitions set out above, the Trust Indenture contains definitions substantially to the following effect:

“*Capital Lease Obligation*” means any monetary obligation of the company or a Designated Subsidiary under any leasing or similar arrangement which, in accordance with GAAP, would be classified as a capital lease and for the purposes of the Trust Indenture, the amount of Capital Lease Obligations will be the capitalized amount thereof, determined in accordance with GAAP;

“*Consolidated Funded Obligations*” means the aggregate amount of all Funded Obligations of the company and its Designated Subsidiaries determined on a consolidated basis in accordance with GAAP;

“*Consolidated Net Worth*” means, as at any date, the consolidated shareholders’ equity of the company and its Designated Subsidiaries as at that date determined in accordance with GAAP;

“*Contingent Liability*” means any agreement, undertaking or arrangement by which any person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Obligation of any other person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other person. The amount of any person’s obligation under any Contingent Liability will, subject to any limitation contained in that Contingent Liability, be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the debt, obligation or other liability guaranteed thereby;

“Designated Subsidiary” means any subsidiary which is designated as such by the directors of the company, provided that any such subsidiary may only be so designated if, after giving effect thereto, the company would be entitled under the Trust Indenture to issue Funded Obligations in the principal amount of at least \$1.00 and further provided that a subsidiary cannot be so designated if any of its shares are owned by a subsidiary which is not itself a Designated Subsidiary;

“Financial Instrument Obligations” means, with respect to any person at any time, the obligations of that person under any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other similar transaction, including any option to enter into any of the foregoing, or any combination of the foregoing to the extent of the net amount due to or accruing due by the person under that obligation, determined by marking that obligation to market at that time in accordance with its terms;

“Funded Obligations” means all Indebtedness created, assumed or guaranteed, which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date of the original creation, assumption or guarantee thereof;

“GAAP” means as at any date of determination:

- (1) accounting principles which are recognized as being generally accepted in Canada, if the company is then preparing its financial statements in accordance with such principles; or
- (2) accounting principles which are recognized as being generally accepted in the United States, if the company is then preparing its financial statements in accordance with such principles;

“Indebtedness” means, without duplication, with respect to any person,

- (1) all obligations of that person for borrowed money, including obligations with respect to bankers’ acceptances and contingent reimbursement obligations, excluding Preferred Securities issued by that person;
- (2) all obligations issued or assumed by that person in connection with its acquisition of property in respect of the deferred purchase price of that property;
- (3) all Capital Lease Obligations and Purchase Money Obligations of that person; and
- (4) all Contingent Liabilities of that person in respect of any of the foregoing;

“Material Subsidiary” means, as at any date, a Designated Subsidiary,

- (1) the total assets of which represent more than 10% of the total assets of the company determined on a consolidated basis as shown in the most recently publicly released consolidated financial statements of the company; or
- (2) the total revenues of which represent more than 10% of the total revenues of the company determined on a consolidated basis as shown in the most recently publicly released consolidated financial statements of the company;

“Obligations” means, without duplication, with respect to any person, all items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of that person as of the date at which Obligations are to be determined, other than Preferred Securities issued by that person; and all Contingent Liabilities of that person in respect of any of the foregoing;

“Preferred Securities” means:

- (1) securities which on the date of issue by a person (a) have a term to maturity of more than 30 years, (b) are unsecured and rank subordinate to the unsecured and unsubordinated Indebtedness of that person outstanding on that date, (c) entitle that person to satisfy the obligation to pay the principal or face amount by issuing common shares, (d) entitle that person to defer the payment of interest for more than four years without causing an event of default to occur, and (e) entitle that person to satisfy the obligation to make payments of interest by issuing common shares; and
- (2) shares of any class in the capital of a corporation or securities representing ownership interests in any person other than a corporation which, in either case, are not common shares;

“Principal Property” means any of the company’s and its subsidiaries’ fixed assets used for the transmission, transformation and distribution of electricity in Ontario as of June 4, 2001 (the date of the Trust Indenture);

“Purchase Money Mortgage” means any security interest, mortgage, pledge, charge or other encumbrance created, issued or assumed by the company or a Designated Subsidiary to secure a Purchase Money Obligation; provided that the security interest, mortgage, pledge, charge or other encumbrance is limited to the property (including associated rights) acquired, constructed, installed or improved using the funds advanced to the company or a Designated Subsidiary in connection with that Purchase Money Obligation;

“Purchase Money Obligation” means Indebtedness of the company or a Designated Subsidiary incurred or assumed to finance the purchase price, in whole or in part, of any property (except any Indebtedness which constitutes a Funded Obligation and which was incurred or assumed to finance the purchase price, in whole or in part, of any shares, bonds or other securities) or incurred to finance the cost, in whole or in part, of construction or installation of or improvements to any real property or fixtures provided that such Indebtedness is incurred or assumed within 24 months after the purchase of such real property or fixtures or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or refunding of any such Indebtedness, so long as the principal amount thereof outstanding on the date of such extension, renewal or refunding is not increased;

“Security Interest” means any assignment, mortgage, charge (whether fixed or floating), hypothec, pledge, lien, or other encumbrance on or interest in property or assets that secures payment of Indebtedness or Obligation;

“Total Consolidated Capitalization” means, at any time and from time to time, without duplication, the sum of (1) the principal amount of all Consolidated Funded Obligations at the time outstanding, and (2) the total share capital of the company at the time outstanding, based upon the stated capital on the books of the company, and (3) the principal amount of all outstanding Preferred Securities referred to in clause (1) of the definition of “Preferred Securities” plus the total amount of (or less the amount of any net deficits in) the contributed or capital surplus of the company and the retained earnings of the company and all Designated Subsidiaries in accordance with GAAP after adding back the amount shown on the consolidated balance sheet of the company and its Designated Subsidiaries for minority interests applicable to Designated Subsidiaries and eliminating all intercorporate items, plus the amount of any premium on capital of the company not included in its surplus, and less the amount, if any, by which the capital account of the company or the consolidated capital surplus account of the company and all Designated Subsidiaries (determined in the manner described above) has at any time been increased as a result of any write-up in the value of the shares of a subsidiary which is not a Designated Subsidiary to reflect the equity of the company in its retained earnings or otherwise, or as a result of a restatement of the amount at which any other assets of the company or any Designated Subsidiary are recorded on its books. The amount of Total Consolidated Capitalization of the company and all Designated Subsidiaries at any time shall be ascertained in Canadian dollars; and

“Wholly-Owned Designated Subsidiary” means a Designated Subsidiary, all of the outstanding shares in the capital of which are owned, directly or indirectly, by or for the company and/or by or for one or more other Wholly-Owned Designated Subsidiaries.

Global Notes

Notes may be issued in the form of fully registered global notes (“Global Notes”) held by, or on behalf of, CDS Clearing and Depository Services Inc. (“CDS”) or another corporation performing similar services that is acceptable to the Trustee (the “Depository”) as custodian of the Global Notes and, in such event, Notes will be registered in the name of the Depository or its nominee (a “Nominee”). Where CDS acts as Depository for a series of Notes, The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), in each case as direct or indirect participants in CDS, will record beneficial ownership of such series of Notes on behalf of their respective accountholders or participants, to the extent the company makes such series of Notes eligible with DTC, Euroclear or Clearstream, Luxembourg, as applicable (and the company specifies as such in the prospectus supplement or pricing supplement with respect to the particular series of Notes).

Purchasers of Notes represented by Global Notes will not receive Notes in definitive form (“Definitive Notes”). Instead, ownership of such Notes will be constituted through beneficial interests in the Global Notes, and will be represented through book-entry accounts of institutions (including the Dealers), as direct and indirect participants of the Depository (“participants”) which, to the extent the Depository is CDS, may include DTC, Euroclear and Clearstream, Luxembourg to the extent applicable as noted above, acting on behalf of the beneficial owners of such Notes. Each purchaser of a Note represented by a Global Note will receive a customer confirmation of purchase from the Dealer or other person from or through whom the Note is purchased in accordance with the practices and procedures of such Dealer or other person. The Depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Notes.

If Global Note(s) are issued and the Depository notifies the company that it is unwilling or unable to continue as depository in connection with the Global Notes, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be depository and the company and the Trustee are unable to locate a qualified replacement, or if the company elects to terminate the book-entry system, beneficial owners of Notes represented by Global Notes will receive Definitive Notes.

DTC, Euroclear and Clearstream, Luxembourg

Where CDS acts as Depository for a series of Notes, to the extent the company makes such series of Notes eligible with DTC, Euroclear or Clearstream, Luxembourg (and the company specifies as such in the prospectus supplement or pricing supplement with respect to such series of Notes), holders may hold such series of Notes through the accounts maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, as participants in CDS only if they are participants of those systems, or indirectly through organizations which are participants of those systems.

In such case, DTC, Euroclear and Clearstream, Luxembourg will hold omnibus book-entry positions on behalf of their participants through customers’ securities accounts in their respective depositories which in turn will hold such positions in customers’ securities accounts in the names of the nominees of the depositories on the books of CDS. All securities in DTC, Euroclear and Clearstream, Luxembourg are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Transfers of such Notes by persons holding through Euroclear or Clearstream, Luxembourg participants, as applicable, will be effected through CDS, in accordance with CDS rules, on behalf of the relevant European international clearing system by its depositories; however, such transactions will require delivery of transfer instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transfer meets its requirements, deliver instructions to its depositories to take action to effect the transfer of the Notes on its behalf by delivering Notes through CDS and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Notes held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures, to the extent received by its depositories.

All information in this short form prospectus concerning CDS, DTC, Euroclear and Clearstream, Luxembourg, reflects the company's understanding of the policies of such organizations which may change at any time without notice.

Fixed Rate Notes

Each Fixed Rate Note will bear interest from its original issue date at the rate per annum on the face thereof until the principal amount thereof is paid or made available for payment. Interest on a Fixed Rate Note will be calculated and payable monthly, quarterly, semi-annually or annually in arrears on the dates specified in such Fixed Rate Note, or other such dates as may be agreed to between the purchaser of the Note and the company (each, an "Interest Payment Date") and at maturity or upon earlier redemption or repayment. Interest Payment Dates will be set forth in the applicable prospectus supplement or pricing supplement for the Fixed Rate Note. Each payment of interest in respect of an Interest Payment Date will include interest accrued to but excluding such Interest Payment Date.

Floating Rate Notes

Each Floating Rate Note will bear interest from its original issue date at rates described in the Floating Rate Note and specified in the applicable prospectus supplement or pricing supplement.

The rate of interest on each Floating Rate Note will be reset monthly, quarterly, or as otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement. Interest on each Floating Rate Note will be payable monthly, quarterly or as otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement. Unless otherwise specified in the Floating Rate Note and applicable prospectus supplement or pricing supplement, the company will be the calculation agent with respect to the Floating Rate Notes. Upon request of the holder of any Floating Rate Note, the company will provide the interest rate then in effect.

Payment of Interest and Principal

Interest on each interest bearing Note will be payable on such periodic basis or at maturity and on such date or dates as may be agreed upon by the company and the purchaser of the Note. Payments of interest on each interest bearing Definitive Note will be made by cheque payable on the interest payment date and mailed to the address of, or if so directed by the holder, funds representing the interest payable will be forwarded by electronic funds transfer on the interest payment date to the account of, the holder appearing on the registers maintained by Computershare Trust Company of Canada, as registrar and transfer agent (the "Transfer Agent", which term shall include such other registrar or transfer agent as may from time to time be appointed by the company) at the close of business in the City of Toronto on the tenth business day (with "business day" being a day other than Saturday, Sunday, or a day on which financial institutions in Toronto, Ontario are authorized or obligated by law or regulation to close) prior to the interest payment date or such other day specified to the Trustee by the company and reflected in a Supplemental Indenture for a particular series of Notes. Payment of principal will be made at any branch in Canada of the bank designated in a Definitive Note against surrender of the Note.

Payment of interest and principal on each Global Note will be made to the Depository or the Nominee, as the case may be, as the registered holder of the Global Note. Interest payments on Global Notes will be made by wire transfer no later than the date interest is payable. Principal payments on Global Notes will be made by wire transfer on the maturity date delivered to the Depository or the Nominee, as the case may be, at maturity against receipt of the Global Note. As long as the Depository or the Nominee is the registered owner of a Global Note, the Depository or the Nominee, as the case may be, will be considered the sole owner of the Global Note for the purposes of receiving payment on the Note and for all other purposes under the Trust Indenture and the Note.

The company expects that the Depository or Nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the Depository or the Nominee. The company also expects that such payments of principal and interest by participants to the owners of beneficial interests in such Global Note held through such

participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such participants. The responsibility and liability of the company and the Trustee in respect of Notes represented by Global Notes is limited to making payment of any principal and interest due on such Global Notes to the Depository or the Nominee.

Payments of interest and principal will be made in the currency in which the Note is denominated unless otherwise specified in the applicable prospectus supplement or pricing supplement.

If the payment date for any amount of principal or interest on any Note is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such Note shall not be entitled to any further interest or other payment in respect of such delay.

Transfers

The registered holder of a Definitive Note may transfer such Note upon payment of taxes incidental thereto, if any, by executing the form of transfer provided on the reverse side of the Note and surrendering the Note to the Transfer Agent at its principal office in the City of Toronto, upon which one or more new Definitive Notes will be issued in authorized denominations in the same aggregate principal amount as the Note so transferred, registered in the name or names of the transferee or transferees.

Transfers of beneficial ownership in Notes represented by Global Notes will be effected through records maintained by the Depository for such Global Notes or the Nominee (with respect to the interest of participants) and on the records of participants (with respect to the interest of beneficial owners other than participants). Beneficial owners of an interest in a Note represented by a Global Note who are not participants in the Depository’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Notes, may do so only through participants in the Depository’s book-entry system. A purchaser’s interest in a Note represented by a Global Note will only be exchangeable for Definitive Notes in the limited circumstances set forth under the heading “Global Notes” above and in accordance with the procedures established by the Depository or the Nominee.

The ability of a beneficial owner of an interest in a Note represented by a Global Note to pledge the Note or otherwise take action with respect to such owner’s interest therein other than through a participant may be limited due to the lack of a physical certificate.

No transfer of a Note will be registered during the 10 business days immediately preceding any date fixed for payment of interest on such Note or payment of the principal amount thereof.

PLAN OF DISTRIBUTION

The Notes may be offered for sale severally and on a continuous basis by one or more of BMO Nesbitt Burns Inc., Casgrain & Company Limited, CIBC World Markets Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to an agreement dated December 14, 2015, among such Dealers and the company (the “Dealer Agreement”) or such other Dealers as may be selected from time to time by the company, in each case acting as agent of the company or as principal. Where the Notes are offered by the Dealer(s) as agent(s), the commission payable by the company shall be agreed from time to time between the company and any such Dealer(s). Where the Notes are purchased by the Dealer(s) as principal, the Notes shall be purchased at such prices and with such commissions as may be agreed from time to time between the company and any such Dealer(s) for resale to the public at prices to be negotiated with each purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer’s compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the company. The commission payable in connection with sales of Notes shall be no higher than 1.5% and shall be set forth in a prospectus supplement or pricing supplement that shall accompany this short form prospectus. The company has agreed to reimburse the Dealers for certain expenses and to indemnify each Dealer against certain liabilities including liabilities under applicable Canadian securities laws.

The company may also offer the Notes directly to potential purchasers pursuant to applicable statutory exemptions at prices and upon terms negotiated between the purchaser and the company.

The company and, if applicable, the Dealers, reserve the right to reject any offer to purchase the Notes in whole or in part. The company also reserves the right to withdraw, cancel or modify the offering of the Notes under this short form prospectus without notice. In addition, the obligations of the Dealers to purchase any particular issue of Notes as principal may be terminated at the discretion of the Dealers upon the occurrence of certain stated events as set out in detail in the Dealer Agreement. However, the Dealers are obligated to take up and pay for all Notes of a particular issue if any of the Notes of that issue are purchased under the Dealer Agreement by the Dealers as principal.

In connection with any offering of Notes, the Dealers may, when acting as an agent or purchasing as principal, over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Dealers may from time to time purchase and sell the Notes in the secondary market but are not obliged to do so. Unless otherwise indicated in a prospectus supplement or pricing supplement, there is no market through which Notes may be resold and purchasers may not be able to resell Notes purchased under this short form prospectus. The offering price and other selling terms for any sales in the secondary market may, from time to time, be varied by the Dealers.

The offering of Notes hereunder is directed only to residents of the provinces of Canada and in the United States in certain transactions exempt from the provisions of the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except to “qualified institutional buyers” in reliance upon Rule 144A under the Securities Act. In addition, until 40 days after the commencement of the offering of an issue of Notes, an offer or sale of that issue within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption under the Securities Act.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are subsidiaries or affiliates of the HOI Lenders which are lenders to the company under the 2013 Credit Facility and the 2015 Credit Facility, and BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are subsidiaries or affiliates of the HOL Lenders which are lenders to HOL under the HOL Credit Facility. As of December 14, 2015, there is no outstanding indebtedness under the 2013 Credit Facility, the 2015 Credit Facility or the HOL Credit Facility. Proceeds from the sale of particular series or issues of Notes in which such Dealers are acting as principals or agents may be used to repay indebtedness under the Credit Facilities or any future credit facility to which the company may be a party with one or more of the Lenders and may be indirectly used to repay indebtedness under the HOL Credit Facility. Consequently, if and when there is outstanding indebtedness to any of the Lenders under such facilities, the company may be considered a connected issuer of those Dealers who are affiliates of such Lenders for purposes of the securities laws of certain Canadian provinces. The decision to distribute the Notes will be made by the company and the terms and conditions of distribution will be determined through negotiations between the company and the Dealers. The Lenders will not have any involvement in such decision or determination. As of the date hereof, the company is in compliance with the terms of each of the Credit Facilities. Other than payment of their portion of the commissions, if applicable, or as set forth above in respect of the Credit Facilities and/or the HOL Credit Facility, none of the proceeds of such offerings of Notes will be applied, directly or indirectly, for the benefit of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. or their affiliates. See “Use of Proceeds”.

USE OF PROCEEDS

The net proceeds from the sale of Notes will be added to the general funds of the company and, together with funding from other sources, including internally generated funds and other external financings, will be used to

finance the company's working capital requirements, to repay outstanding bank loans (which may include indebtedness under the Credit Facilities), debentures, notes or other Indebtedness, to make advances to subsidiaries of the company, to finance the company's capital expenditure program, to make acquisitions and for other general corporate purposes. Where appropriate, a prospectus supplement or pricing supplement will contain more specific information about the use of proceeds from each sale of Notes. All expenses relating to an offering of Notes, including any compensation paid to the Dealers, will be paid out of the company's general funds or netted out of the proceeds of the particular offering of Notes. The company may from time to time issue debt instruments and incur additional Indebtedness otherwise than through the issue of Notes pursuant to this short form prospectus.

PRIOR SALES

In the 12-month period prior to the date hereof, the company issued the following tranche of medium term notes under its short form prospectus dated September 4, 2013:

<u>Note</u>	<u>Date of Issuance</u>	<u>Principal Amount</u>	<u>Sale Price (per \$100 principal amount)</u>	<u>Gross Proceeds</u>
Series 33 (1.62%) due 2020	April 30, 2015	\$350,000,000	\$99.990	\$349,965,000

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

General

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires Notes, including entitlement to all payments thereunder, as a beneficial owner pursuant to this short form prospectus and who, at all relevant times, for purposes of the application of the Tax Act, deals at arm's length with the company and holds Notes as capital property (a "Holder"). Generally, Notes will be capital property to a purchaser provided the purchaser does not acquire or hold those Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain purchasers resident in Canada may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act the effect of which may be to deem to be capital property any Notes (and all other "Canadian securities", as defined in the Tax Act) owned by such purchasers in the taxation year in which the election is made and in all subsequent taxation years. Purchasers whose Notes might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

This summary is based on the current provisions of the Tax Act and on counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

Depending upon the terms of any offering of the Notes as set forth in an applicable prospectus supplement or pricing supplement, the Canadian federal income tax considerations applicable to a Holder of the Notes at the time of such offering may be different from those described below. Such considerations may be described more particularly when such Notes are offered (and then only to the extent material) in the prospectus supplement or pricing supplement related thereto. In the event the Canadian federal income tax considerations are described in such prospectus supplement or pricing supplement, the description below will be superseded by the description in the prospectus supplement or pricing supplement to the extent indicated therein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of Notes should consult their own tax advisors having regard to their own particular circumstances.

Currency Conversion

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Notes issued in a non-Canadian currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act. The amount of interest required to be included in the income of, and capital gains or capital losses realized by, a Holder may be affected by fluctuations in the applicable exchange rate.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is, or is deemed to be, resident in Canada, is not affiliated with the company and has not entered into and will not enter into, with respect to the Notes acquired by such Holder, a “derivative forward agreement” as defined in the Tax Act (a “Resident Holder”).

This portion of the summary is not applicable to (i) a purchaser an interest in which is a “tax shelter investment”, (ii) a purchaser that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a “financial institution”, or (iii) a purchaser that reports its “Canadian tax results” in a currency other than Canadian currency, each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

Taxation of Interest and other Amounts

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a Note that accrues or is deemed to accrue to such Resident Holder to the end of that taxation year, or becomes receivable or is received by the Resident Holder before the end of such year, to the extent that such interest was not included in computing the Resident Holder’s income for a preceding taxation year.

Any other Resident Holder, including an individual and a trust of which neither a partnership nor a corporation is a beneficiary, will be required to include in computing its income for a taxation year any interest on a Note that is received or receivable by such Resident Holder in that taxation year (depending on the method regularly followed by the Resident Holder in computing its income) to the extent that such interest was not included in computing the Resident Holder’s income for a preceding taxation year. Such a Resident Holder may also be required to include in the Resident Holder’s income, for any taxation year that includes an “anniversary day” (as defined in the Tax Act) of the Note, any interest, or amount that is considered for the purposes of the Tax Act to be interest, on the Note which accrues to the Resident Holder to the end of such day, to the extent that such interest was not otherwise included in computing the Resident Holder’s income for the year or a preceding taxation year. For this purpose, an “anniversary day” means the day that is one year after the day immediately preceding the date of issue of a Note, the day that occurs at every successive one year interval from that day and the day on which a Note is disposed of.

Where a Resident Holder is required to include an amount on account of interest on a Note that accrued in respect of the period prior to its date of acquisition, the Resident Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Resident Holder of the Note will be reduced by the amount which is so deducted.

Any amount paid by the company to a Resident Holder as a premium, penalty or bonus because of early repayment of all or part of the principal amount of a Note before its maturity will be deemed to be received by the Resident Holder as interest on the Note at that time and will be required to be included in computing the Resident Holder’s income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the company on the Note for a taxation year of the company ending after that time.

Disposition of Notes

On a disposition or deemed disposition of a Note, including a redemption, repayment prior to or on maturity or repurchase, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has accrued, or that has been deemed to have accrued, on the Note to that time except to the extent that such amount has otherwise been included in the Resident Holder's income for the year or a preceding taxation year.

Generally, on a disposition or deemed disposition of a Note, including a redemption, payment on maturity or purchase for cancellation, a Resident Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Resident Holder's income as interest (as described above) and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Note immediately before the disposition or deemed disposition. Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act (1) is not, and is not deemed to be, resident in Canada, (2) deals at arm's length with any transferee resident (or deemed to be resident) in Canada to whom the Holder disposes of the Notes, and (3) does not use or hold the Notes in a business carried on or deemed to be carried on in Canada (a "Non-Resident Holder"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

This summary assumes that no interest paid on the Notes will be in respect of a debt or other obligation to pay an amount to a person with whom the company does not deal at arm's length, within the meaning of the Tax Act.

This portion of the summary is not applicable to a Non-Resident Holder that is a "specified shareholder" (as defined in subsection 18(5) the Tax Act) of the company or that does not deal at arm's length for purposes of the Tax Act with a "specified shareholder" of the company. Generally, for this purpose, a "specified shareholder" is a shareholder that owns or is deemed to own, either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act, shares of the company's capital stock that either (i) give such shareholders 25% or more of the votes that could be cast at an annual meeting of the shareholders or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the company's capital stock. Such Non-Resident Holders should consult their own tax advisors.

No Canadian withholding tax will apply to interest, principal or premium paid or credited to a Non-Resident Holder by the company on a Note or to the proceeds received by a Non-Resident Holder on the disposition of a Note including a redemption, repayment prior to or on maturity or repurchase, unless all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation (the "Participating Debt Interest"). The interest on Fixed Rate Notes, and on Floating Rate Notes in respect of which the payment of interest is determined by reference to published rates of a central banking authority or one or more financial institutions, or to recognized market benchmark interest rates or to interest rates on Government of Canada bonds is not Participating Debt Interest and, as such, no Canadian withholding tax will apply to interest paid or credited or deemed to be paid or credited on such Notes.

Generally, no other Canadian federal taxes on income or gains will be payable by a Non-Resident Holder on interest, principal or premium paid or credited to a Non-Resident Holder by the company on a Note or on the

proceeds received by a Non-Resident Holder on the disposition of a Note including a redemption, repayment prior to or on maturity or repurchase.

RISK FACTORS

In addition to the other information contained and incorporated by reference in this short form prospectus, a purchaser should consult its own financial and legal advisors and should carefully consider the following risk factors before investing in the Notes. Notes will not be an appropriate investment for a purchaser if the purchaser does not understand the terms of the Notes or financial matters in general. A purchaser should not purchase Notes unless the purchaser understands, and can bear, all of the investment risks involving the Notes. For a discussion of the risks to which the company's business and industry are subject, please see the section entitled "Risk Factors" in the company's annual information form, the section entitled "Risk Management and Risk Factors" in the company's annual MD&A and the section entitled "Risk Factors" in the HOL Prospectus (excluding the disclosure under the subheading "Risks Relating to this Offering") and, for financial years ending on or after December 31, 2015, please see the section entitled "Risk Factors" in the company's annual information form and the section entitled "Risk Management and Risk Factors" in the company's annual MD&A. In addition to those risks, an investment in the Notes is subject to the following additional risks:

The Company Must Receive Dividends and Other Payments from Its Subsidiaries in Order to Make Payments to Holders of Notes

The company is a holding company that has no significant assets or operations other than the debt and equity of its subsidiaries. The company's most significant subsidiary is Hydro One Networks Inc., a regulated wholly-owned subsidiary which owns and operates the company's transmission and distribution assets. The company is dependent on dividends, interest, loans and other payments from this and other subsidiaries to meet its debt service and other obligations.

The company's subsidiaries are separate legal entities and have no obligation to pay any amounts due under the Notes and, except for their respective obligations under existing intercompany debt obligations owing to the company, have no obligation to make funds available to the company, whether by dividends, interest, loans or other payments. In addition, these subsidiaries have not guaranteed the Notes. In the event of bankruptcy, liquidation or reorganization of any of the company's subsidiaries, the creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the company, except to the extent that the company is recognized as a creditor of those subsidiaries.

The company's subsidiaries currently are not restricted in terms of their ability to pay dividends or make other payments to the company, other than by solvency provisions under generally applicable Ontario corporate law or partnership law, as applicable. However, they could become so restricted in the future by, among other things, other laws as well as agreements to which they may become parties in the future.

There May Be No Trading Market for the Notes and if One Develops, the Notes May Be Subject to Trading Price Fluctuations

The Notes are new issues of securities for which, unless otherwise indicated in a prospectus supplement or pricing supplement, there is no existing trading market. The company cannot predict whether any active trading market will develop for the Notes, even if the Notes are listed on a stock exchange.

Even if an active trading market develops for the Notes, the Notes could trade at prices that may be higher or lower than their initial offering prices, depending on many factors, including prevailing interest rates, the company's results of operations and financial position, the ratings assigned to the Notes and the company's other debt securities, and the markets for similar debt securities.

If a holder of Notes sells any Notes before their maturity, such holder may have to do so at a substantial discount from the issue price, and as a result such holder may suffer substantial losses.

Investors May Be Subject to the Risk of Exchange Rate Fluctuations

An investment in Notes that are denominated or payable in a currency other than the functional currency of the investor entails significant risks that are not associated with a similar investment in a security denominated in the functional currency of the investor. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the two currencies, the possibility of the imposition or modification of foreign exchange controls in respect of one or both of the currencies, and potential illiquidity in the secondary market. These risks generally depend on circumstances over which the company has no control including political events, government policy and macroeconomic conditions. These risks will vary depending upon the currency or currencies involved and, where appropriate, will be more fully described in a prospectus supplement or pricing supplement.

In certain circumstances, investors may receive payments in currencies other than the currency in which the Notes are denominated. This may subject investors to exchange rate risk in respect of the conversion of principal and interest payments on the Notes from the currency in which the Notes are denominated to the currency of the payment which they receive, and they may also bear any costs of conversion incurred in connection therewith. For example, to the extent the company makes a series of Notes eligible with DTC, investors who hold such Notes through DTC where CDS acts as Depository and who do not elect to receive principal and interest payments in Canadian dollars will be subject to exchange rate risk in respect of the conversion of Canadian dollar principal and interest payments to U.S. dollars, and will also bear any costs of conversion incurred in connection therewith.

The Notes will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. A judgment by a Canadian court relating to any Note may be awarded only in Canadian currency and such judgment may be based on a rate of exchange in existence on a day other than the day of payment.

This short form prospectus does not describe all the risks of an investment in the Notes denominated or payable in a currency other than an investor's functional currency, and prospective investors should consult their own financial and legal advisor as to the risks entailed with respect thereto. Notes denominated in currencies other than an investor's functional currency are not appropriate investments for investors who are unfamiliar with foreign currency transactions.

Changes in Interest Rates Will Affect the Market Price or Value of the Notes

Generally, the market price or value of the Notes will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline. Fluctuations in interest rates may also impact borrowing costs of the company which may adversely affect its creditworthiness. It is impossible to predict whether interest rates will rise or fall.

Changes in Creditworthiness or Credit Ratings May Affect the Market Price or Value of the Notes

The perceived creditworthiness of the company and changes in credit ratings of the Notes may affect the market price or value and the liquidity of the Notes. In addition, negative changes in the company's credit rating may affect the credit ratings of the Notes.

Floating Rate Notes Are, By Their Nature, Uncertain

Investments in Floating Rate Notes entail risks not associated with investments in Fixed Rate Notes. The resetting of the applicable rate on a Floating Rate Note may result in a lower interest rate as compared to a Fixed Rate Note issued at the same time. The applicable rate on a Floating Rate Note will fluctuate in accordance with fluctuations in the instrument or obligation or other measure on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the company has no control.

The Notes May Be Subject to Early Redemption

Depending on the terms of the Notes, the company may have the right to redeem them, or the Notes may be automatically redeemable under some circumstances. If the Notes are redeemed, depending on the market conditions at the time of redemption, a holder of Notes may not be able to reinvest the redemption proceeds in a security with a comparable return.

LEGAL MATTERS

Certain legal matters in connection with any offering hereunder will be passed upon by Osler, Hoskin & Harcourt LLP for the company and by Blake, Cassels & Graydon LLP for the Dealers. The partners and associates of Osler, Hoskin & Harcourt LLP and Blake, Cassels & Graydon LLP beneficially own, directly or indirectly, less than one percent of the securities of the company or any associate or affiliate of the company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, located at 333 Bay Street, Suite 4600, Bay Adelaide Centre, Toronto, Ontario M5H 2S5, is the auditor of the company and has confirmed that it is independent of the company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Registers for the registration and transfer of the Notes issued in registered form are kept at the principal offices of the Transfer Agent in the City of Toronto.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AGENT FOR SERVICE OF PROCESS IN CANADA

Kathryn Jackson, a director of the company, resides outside of Canada. Ms. Jackson has appointed Hydro One Inc., 483 Bay Street, 8th Floor, South Tower, Toronto, Ontario, M5G 2P5, Canada, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

CERTIFICATE OF HYDRO ONE INC.

Dated: December 14, 2015

This short form prospectus, together with the documents incorporated in this short form prospectus by reference, will, as of the date of the last supplement to this short form prospectus relating to the securities offered by this short form prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus and the supplement(s) as required by the securities legislation of all of the provinces of Canada.

(Signed) Mayo Schmidt
President and Chief Executive Officer

(Signed) Michael Vels
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) David Denison
Director

(Signed) Christie J.B. Clark
Director

CERTIFICATE OF DEALERS

Dated: December 14, 2015

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this short form prospectus by reference will, as of the date of the last supplement to this short form prospectus relating to the securities offered by this short form prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus and the supplement(s) as required by the securities legislation of all the provinces of Canada.

BMO NESBITT BURNS INC. CASGRAIN & COMPANY LIMITED CIBC WORLD MARKETS INC.

By: (Signed) Grant Williams

By: (Signed) Stephen McHarg

By: (Signed) David Williams

DESJARDINS SECURITIES INC.

LAURENTIAN BANK
SECURITIES INC.

NATIONAL BANK
FINANCIAL INC.

By: (Signed) Ryan Godfrey

By: (Signed) Michel Richard

By: (Signed) John B. Carrique

RBC DOMINION
SECURITIES INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) Robert M. Brown

By: (Signed) Murray Neal

By: (Signed) Greg McDonald