Ontario

Application and Report to Treasury Board/Management Board of Cabinet

(Refer to instructions on next page)

1. MINISTRY of ENERGY	2. MINISTRY LOG #	3. TB/MBC LOG #

4. TYPE OF REQUEST: (Indicate if Financial Transaction / Treasury Board Order/ General/ Procurement/ Legislation/ Regulation/ Order-in-Council)

Financial Transaction/Treasury Board Order

5. PURPOSE OF REQUEST

The Ministry of Energy is reporting back to Treasury Board/Management Board of Cabinet (TB/MBC) with the following:
1) A detailed IPO Implementation Plan
2) A completed Governance Agreement with Hydro One prior to execution
3) The Ministry requires TB/MBC approval of loan and share purchase agreements to fulfill an obligation made by the Province and Hydro One as part of collective bargaining with PWU and the Society in respect of the collective agreements, including approval of a required OIC and necessary supplementary estimates
4) The Ministry will report back to TB/MBC at a later date with details on the final Brampton transaction results

6. FINANCIAL DETAILS		($ Millions)							
		Current Year		Year 2		Year 3		Matures In	
		2015-16		20xx/20xx		20xx/20xx		20xx/20xx	
		Operating	Capital	Operating	Capital	Operating	Capital	Operating	Capital
A. Program Current Base	Expense								
	Asset								
B. Program Request (change from existing base)	Expense	2,663.00							
	Asset								
C. Available for Offset	Expense								
	Asset								
D. Net Impact On Program Allocation (B-C)	Expense	2,663.00							
	Asset								
E. Revenue Implications									

7. IMPACT ON FTE LIMIT	Current Year 20xx/20xx	Year 2 20xx/20xx	Year 3 20xx/20xx	Mature in 20xx/20xx
A. Program Current Base FTE Limit				
B. Program FTEs Request				
C. Available FTE Offset				
D. Net Impact on FTE Limit (B-C)				
E. Change to Ministry Salaries & Wages Allocation (included in the Program Request ($ Millions)				

8. OTHER DECISION FACTORS	Y/N	EXPLANATION
A. Consistent with Government Priorities and Results (If Yes identify key Results) - include details in submission)	Y	The Province is moving forward with the Premier's Advisory Council on Government Assets recommendations to broaden the ownership of Hydro One Limited through an initial public offering (IPO) and the sale of Hydro One Brampton to a merged entity of three other large utilities – PowerStream, Enersource and Horizon.
B. Policy approval (if yes identify policy committee and date approved)	N	
C. Key Performance Risks (If yes provide details in submission)	Y	
D. Impact on other Ministries (if yes - include sign-off date. Include resources impact in submission)	N	
E. Impact on the Fiscal Plan (if yes provide details in submission)	N	$2.6B transfer payment is equivalent to the amount of departure tax paid by Hydro One to the Province. The two transactions are fiscally neutral. The $63M in service costs will be recovered through the IPO proceeds.

9. AUTHORIZATION /DATE

Signature of Minister — Day/Month/Year

Signature of Deputy Minister — Day/Month/Year

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Ontario

MINISTRY REQUEST FOR A TREASURY BOARD ORDER

For the reasons set out in the attached report, the appropriation in the Ministry of Energy is insufficient to carry out the purpose for which it was made, and additional expenditures need to be authorized for the fiscal year 2015-16. $2.6B transfer payment is equivalent to the amount of departure tax paid by Hydro One to the Province. The two transactions are fiscally neutral. The $63M in service costs will be recovered through the IPO proceeds.

It is therefore requested that Treasury Board, in accordance with the authority under Section 1.0.8 of the *Financial Administration Act,* authorize a Treasury Board Order in the amount of $2,663,000,000 to supplement the amount of the appropriation for the Ministry of Energy, in the following vote(s) and item(s):

Vote	Item	Amount	Program/Activity	Explanation
2906	01	$2,663,000,000	Strategic Asset Management and Transformation (Energy)	Hydro One IPO Implementation

Bob Chiarelli, Minister
Ministry of Energy
August 25, 2015

Serge Imbrogno, Deputy Minister
Ministry of Energy
August 25, 2015

Ontario

Hydro One IPO Implementation Plan, Governance Agreement & Loan and Share Purchase Agreements

August 25, 2015

CONFIDENTIAL ADVICE TO CABINET

Minister

Deputy Minister

Commercial Sensitivity

- The following submission contains confidential and commercially sensitive information
- Dissemination of this submission could have significant commercial impacts to the Province
- Information in this submission may have impact on market expectations and / or assessment of value. Any communication on these matters should be restricted to publicly available information
- Securities laws impose restrictions on the manner in which a prospective issuer and/or selling security holder communicates with the investing public while it is preparing for, and during, an offering. This period is often referred as the "quiet period"
- Counsel has advised that the Province has entered the quiet period with respect to the IPO

Purpose

- The Province is moving forward with the Premier's Advisory Council on Government Assets recommendations to broaden the ownership of Hydro One* through an initial public offering (IPO) and the sale of Hydro One Brampton to a merged entity of three other large utilities – PowerStream, Enersource and Horizon
- In April 2015, the Ministry received Treasury Board/Management Board of Cabinet (TB/MBC) approval of the announcement and terms for an IPO process for Hydro One
  - At that time, it was requested that the Ministry of Energy report back to TB/MBC with:
    1. A detailed IPO Implementation Plan
    2. A completed Governance Agreement with Hydro One prior to execution
  - The Ministry is now seeking TB/MBC approval of this plan and the related agreements
- The April Treasury Board Minute also included that the Ministry of Energy would work with the Ministry of Finance on the amount of the capital contribution to Hydro One and supplementary estimate amount of the departure tax that Hydro One would be required to pay as a result of the IPO
- In May 2015, the Ministry received TB/MBC approval of both OPG and Hydro One's collective agreements with the Power Workers' Union (PWU). In August 2015 the Ministry received TB/MBC approval of Hydro One's collective agreements with the Society of Energy Professionals (the Society)
    3. The Ministry requires TB/MBC approval of loan, share purchase agreements, and ancillary documents between the Province and one or more trusts for the benefit of the PWU, and agreements in principle between the Province and one or more trusts for the benefit of the Society, subject to final negotiation, to fulfill an obligation made by the Province as part of collective bargaining, including approval of a required OICs and necessary supplementary estimates
    4. The Ministry will report back to TB/MBC at a later date with details on the final Brampton transaction results
- The Ministry is also seeking approval of various items required in order to facilitate the transfer of Hydro One Brampton to the Province

*Hydro One means Hydro One Limited, the shares of which will be sold in the IPO

Context

Budget Commitments: Proceeds Re-Invested in Infrastructure

- Broadening ownership of Hydro One means that taxpayers would realize net proceeds to help support unprecedented investments in transit, transportation and other priority infrastructure projects. This approach could generate an estimated net gain of approximately $4 billion (gain amount will be subject to market conditions)

- Any net proceeds from the sale of shares in Hydro One would be set aside in the Trillium Trust to help fund the government's $31.5 billion Moving Ontario Forward plan to invest in infrastructure, transportation and transit across the province

- Moving Ontario Forward is expected to support more than 20,000 jobs per year on average, over 10 years, in construction and related industries, boost productivity and revitalize communities

- Moving Ontario Forward investments would be made across Ontario, with a split of about $16 billion for the Greater Toronto and Hamilton Area and about $15 billion for the rest of the province

High-Level Draft Timeline

	2015					
	Jun	Jul	Aug	Sept	Oct	Nov
IPO - Implementation Plan	Province Appoints Special Advisor Denis Desautels			TB/MBC IPO Plan/MOF Report Backs (Aug 25th) LRC for Regs (Aug 24th) Preliminary Prospectus (including all agreements summarised in prospectus)	Tabling of Supplementary Estimates Amended and Restated Prospectus/ Shareholder Declaration	IPO Close
IPO – Governance/ Oversight		Resolution to Appoint Board/ Give authority back		TB/MBC Governance (Aug 25th) Governance Agreement Finalised		
Loan/ Share Purchase Agreements				TB/MBC Loan & Share Agreement including OICs (August 25th) Execution of Share Purchase /Loan Agreement	Tabling of Supplementary Estimates	Closing Share Transaction
Hydro One Brampton				LRC for Regs (Aug 24th) Declaration of Dividend (August 31st) Execution of Purchase & Sale Agreement	TB/MBC Report Back on Brampton Transaction (Oct 20th)	

Other · ENE Signoff · MOF Signoff · Government Approval

1. IPO Implementation Plan

1. IPO Implementation

IPO Process Overview

- The next few slides will go through each of the three stages of the IPO process, which are outlined below, in more detail
  - While the Province has had a direct role in facilitating part A, parts B and C will largely be led by Hydro One and the active bookrunners, Scotiabank and RBC Capital Markets

A. IPO Preparation April-July 2015	B. IPO Process June-Sept 2015	C. IPO Marketing/ Closing Fall 2015
• Lead: Province • Leadership changes to appoint "public company ready" Board, Chair and senior management • Select key parties involved including lead bookrunner to support the process by competitive process, overseen by process advisor Denis Desautels • Legislative changes to provide authority and structure for a new public company	• Lead: Hydro One, Scotiabank and RBC Capital Markets • Determine underwriting syndicate • Conduct due diligence and develop preliminary prospectus and other supplementary agreements • File preliminary prospectus with the Ontario Securities Commission (OSC)	• Lead: Hydro One, Scotiabank and RBC Capital Markets • Conduct investor road shows to provide potential investors with required information to access offering across Canada and in other jurisdictions • IPO is expected to close in late fall 2015

1. IPO Implementation

Illustrative Process for IPO

Announcement	Finalize Governance Model & Governance Changes	Underwriter Selection Process	Treasury Board & LRC	Due Diligence & Document Drafting	Approve Preliminary Prospectus
▪ Announce that Hydro One will be taken public in 2015 through an IPO	▪ Prepare Hydro One for IPO through changes in governance, management, and strategy required for public market acceptance ▪ Legislative changes to support the IPO	▪ Appoint special advisor ▪ Develop selection criteria for underwriters ▪ Launch process to select underwriters for Hydro One IPO ▪ Select Underwriters for Hydro One IPO through competitive process ▪ Determine syndicate	▪ Report back to TB on IPO implementation plan ▪ LRC: OEB Notice Requirement/ Environmental Assessment Exemptions ▪ Proc and Holdco OICs	▪ Discuss financial presentation issues with underwriters and auditors ▪ Draft preliminary prospectus and draft material agreements to which the Province is a party	▪ Board meetings to approve preliminary prospectus and related matters

File Preliminary Prospectus	Ontario Securities Commission Review	Develop Marketing Materials	Road Show	Final Prospectus	Pricing and Closing
▪ File preliminary prospectus and Exchange listing application	▪ Receive first OSC comment letter ▪ File amended and restated preliminary prospectus	▪ Develop management scripts ▪ Develop road show presentations ▪ Develop investor target list	▪ Market transaction to potential investors ▪ Start book-building	▪ Board meetings to approve final prospectus and related matters ▪ File final prospectus and underwriting agreement	▪ Price IPO ▪ Closing activities ▪ Trading commences

A. Preliminary Setup B. Drafting & Filing C. Marketing & Closing

1. IPO Implementation

A. Preparation: Leadership Changes

- To receive optimal value through an IPO, the company must provide investors with comfort that it has in place an effective, experienced and "public company ready" Board, Chair and senior management
- Over the past couple months, various leadership changes have been made:
  - April 16, 2015: David Denison was appointed the Chair of Hydro One
    - Mr. Denison has extensive experience leading major companies in Canada and elsewhere. He served as President and CEO of the Canada Pension Plan Investment Board
  - June 23, 2015: Michael Vels was hired as the new Chief Financial Officer
    - Mr. Vels has extensive experience in mergers and acquisitions. Most recently he served as Chief Financial Officer at Maple Leaf Foods Inc.
  - July 17, 2015: Province appointed a new Board of Directors of Hydro One
    - The new Board will oversee the company as it prepares to become publicly traded, with a renewed focus on customer service excellence and improved performance and reliability. This Board will become the Board of Holdco
    - The Province also returned authority to the Board to proceed with the IPO
  - August 20, 2015: Mayo Schmidt announced as Hydro One CEO-designate
    - Mr. Schmidt will commence his duties effective September 3, 2015, taking over from current President and CEO Carmine Marcello who will remain as an advisor to both Mr. Schmidt and Mr. Denison to provide support in the transition and the upcoming IPO

1. IPO Implementation

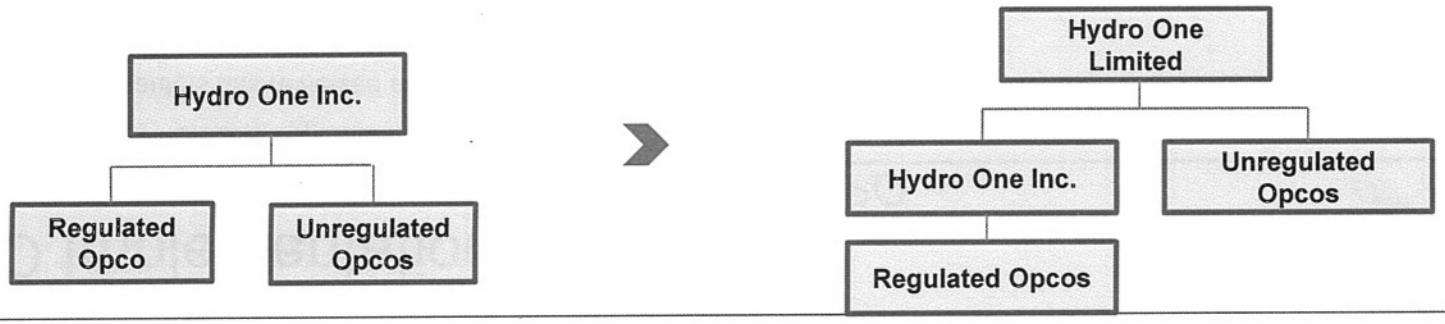
A. Preparation: Procurements to Support the IPO

- **Special Advisor –**Ontario appointed Denis Desautels as Special Advisor to the Minister of Energy
  - Mr. Desautels has reviewed and will continue to review the processes followed by the Province to procure service providers for the IPO
  - He will also advise on the process to establish a dedicated Ombudsperson's office in Hydro One
- Key parties to the IPO process include:
  - **Bookrunners:** The evaluation panel which consisted of representatives from the Ministry of Energy, Ontario Financing Authority, Secretariat for the Premier's Advisory Council, and three independent evaluators, selected RBC Capital Markets and Scotiabank to act as active bookrunners under the observation of Denis Desautels. These banks will carry out most of the work relating to the IPO including conducting due diligence, participating in the preparation of the prospectus, organizing roadshows, marketing, and managing the other experts.
  - **Underwriters:** Chosen by a committee with one representative from RBC Capital Markets, one from Scotiabank, one from the Restructuring Secretariat, the CFO of Hydro One, the CEO of the OFA (or designate), and the Deputy Minister of Energy (or delegate), under the observation of Denis Desautels, the underwriters will purchase shares and resell to investors through their networks of brokers and dealers (all bookrunners are also underwriters)
    - Underwriting fees will be a percentage of sales to investors (3% for retail investors 1% for institutional investors). These are substantially below typical private IPO rates (driven by prestige of the issue and the Province's economic influence)
    - The total payment to bookrunners and the accompanying underwriting syndicate would be approximately 1.8% of the transaction value (about $35M-$45M, with $50M as a ceiling), which the Council indicates is considerably lower than the industry average of 4-5% ($100M). The Ministry will also pay the expenses of the bookrunners. These will include items such as costs related to the marketing effort and road shows. All of the items will be outlined in the underwriting agreement
  - **Broker/Dealers:** Buy securities for purchase by individual investors, and provide investment advice
- Other procurements may be needed to support the IPO process and the Ministry will need to act quickly to procure various services. As a result, the Ministry of Energy is requesting an exemption from the mandatory requirements of the OPS Procurement Directive, including the mandatory use of the Central Common Service, for the future acquisition of services required to support the IPO process and to support the ongoing administrative framework to enable future share sales and purchases

1. IPO Implementation

A. Preparation: Government Preparation: Creation of Holdco

- This structure is used by all the comparable public utility companies (e.g., Fortis, Emera, Canadian Utilities, etc.) to increase value as well as fund growth opportunities
- This structure allows Hydro One to:
  - separate the financing of non-regulated businesses. This would mitigate negative factors in the credit evaluation of the currently regulated Hydro One
  - Take on additional debt (increase leverage) in order to lower the overall cost of capital, increase the ROE for common shareholders, and increase the overall value of the company
- The creation of Hydro One Limited would also support the financing of growth opportunities while preserving the credit quality of the existing regulated businesses
- To set up the share structure of the new Hydro One Limited, the Ministry of Energy will exchange the preferred and common shares (book value $323M and $7.9B respectively) for an issuance of common and preferred shares in Hydro One Limited to provide the Province with an equivalent value. Hydro One Limited will then sell shares to underwriters for distribution to the public
- The separation of credits would allow Hydro One Limited to issue additional debt based on its rating to support acquisitions, without impacting the credit quality of Hydro One Inc. The additional debt at the Hydro One Limited level would be supported by dividend payments from Hydro One and income from the acquired assets
- The creation of Hydro One Limited will facilitate the increase of leverage while maintaining the credit quality of the debt issued by the Ontario wires company and without falling outside regulatory restrictions on leverage



1. IPO Implementation

A. Preparation: MOF Report-backs and other financial issues

Context

- As part of Cabinet approval to move forward with the Hydro One IPO, a number of items were identified for a report back to Treasury Board / Management Board of Cabinet

- The Ministry of Finance (MOF) / Ontario Financing Authority (OFA), working with the Ministry of Energy (ENERGY) is responsible for reporting back on a number of key issues, prior to implementation:
  - Approval of supplementary estimates and/or details on the proposed capital contribution, cash transaction or remission to the departure tax, and any related transactions
  - The financial benefit to be provided to OEFC as a result of the IPO, and any related transactions
  - The designation of Hydro One Limited shares as qualifying assets under the *Trillium Trust Act*
- Other key financial issues have also been identified for discussion, including issues related to the Hydro One Brampton merger and the Province's preferred shares in Hydro One

1. IPO Implementation

A. Preparation: MOF Report-backs

PILs Regime Exit and Departure Tax Determination/Capital Contribution

- An IPO transaction of greater than 10 per cent will cause Hydro One to leave the payments-in-lieu of tax (PILs) regime and enter the normal corporate tax regime. This will result in Hydro One being subject to a departure tax payable under the PILs regime to the Ontario Electricity Financial Corporation (OEFC), a crown agency solely owned by the Province of Ontario that manages the legacy debt and other liabilities of the old Ontario Hydro
- The departure tax payment has no direct fiscal impact, as the departure tax net impact is fiscally neutral upon consolidation
  - The departure tax will increase PILs revenues of OEFC and lower Hydro One's net income
  - The Province consolidates both OEFC PILs and Net Income of Hydro One so the net impact is nil.
- While the departure tax is fiscally neutral, the payment would result in a large one-time expense and associated reduction to Hydro One's equity which is not recoverable from ratepayers
  - Uncertainty with respect to the amount of this payment could have a significant, negative impact on the valuation of Hydro One by investors at the time of the IPO
- Determination of the departure tax amount is based on Hydro One analysis and supported by the work of an external accounting firm engaged by Hydro One to validate the valuation, which estimated the amount to be about $2.6 billion
  - The *Electricity Act, 1998* provides the Minister of Finance with discretion to consent to a reasonable approximation of an amount for departure tax under section 16.1(5)2 of Ontario Regulation 207/99
- As a result, to keep Hydro One whole and support its value in the IPO, the Province, consistent with the April TB minute, intends to inject cash into Hydro One through a capital contribution (e.g., equity injection) for the amount of the departure tax. The two transactions are fiscally neutral.
  - This will require Supplementary Estimates for that amount
- Settling the departure tax obligation in cash is the recommended option, as it is transparent, and mitigates any risk of stakeholders arguing that a departure tax remission for Hydro One provided it with special treatment

1. IPO Implementation

A. Preparation: Hydro One Limited Capital Structure



Special Dividend

- As part of optimizing the value of Hydro One, the Restructuring Secretariat and Hydro One are reviewing the capital structure for Hydro One Limited with the aim of making it similar to other comparable publicly traded utilities
  - A company's capital structure is the amount and share of debt and equity in the company
  - While the debt cost is typically lower than the equity cost , debt payments are a fixed cost and rank ahead of equity holders
- As part of this process, Hydro One may pay to the Province a one-time special dividend in the range of $500 to $1,000 million
  - A dividend payout reduces the relative amount of equity and increases the relative amount of debt in the capital structure
  - A dividend payment is not reported as revenue in the Province's Public Accounts so it would not have a direct fiscal impact on the Province's bottom line
  - A dividend payment would contribute to reducing the Province's borrowing needs, and lowering the Province's interest on debt expense
- There is a regulatory risk that the OEB, in the context of rate filing, could see the cash dividend as an extraction of value from Hydro One that should be shared with rate payers. In such a case, Hydro One could argue that this is a tax-driven outcome that did not result in a direct fiscal impact
- The final assessment of Hydro One's capital structure and potential special dividend would also consider the potential impact on Hydro One's valuation going forward

1. IPO Implementation

A. Preparation: MOF Report-backs

Benefit to OEFC/ s.50.3 of EA

- The actual gain provided to OEFC will be subject to the proceeds received from the IPO
- Section 50.3 of the *Electricity Act, 1998* provides for an amount equal to the proceeds of the sale of the Province's shares in Hydro One, less transaction costs and certain deductions as determined by the Minister of Finance, to be paid to OEFC
    - These deductions involve any amount in connection with the acquisition of the securities, including the amount of the purchase price, any obligations assumed and any other costs incurred by the Crown and any amounts which have been allocated by the Crown to OEFC in respect of the securities
    - The method of payment could be in cash, set-off, debt issuance or remission, or other method, as determined by the Minister of Finance
    - OEFC is the legal continuation of the old Ontario Hydro with the mandate to service and retire its debt and certain other liabilities
- This reflects the amended Section 50.3 of the *Electricity Act, 1998,* following the 2015 Budget Bill, to allow for the net proceeds from the sale of Hydro One to be dedicated to the Trillium Trust, while also ensuring that the Province can meet the commitment to OEFC
- Policy decisions around the treatment of the departure tax and its impact on electricity sector dedicated income (ESDI) will also impact the total gain realized by OEFC from the IPO, including the gain provided to OEFC under s. 50.3 of the *Electricity Act, 1998*
- MOF/OFA will report back to Treasury Board on the above after the IPO

1. IPO Implementation

A. Preparation: OEFC Indemnity

- OEFC has an agreement to indemnify Hydro One for adverse claims described in the indemnity related to a failure of the 1999 Transfer Orders under the Electricity Act, 1998, to transfer certain assets to Hydro One, as well as adverse claims or deficiency in title relating to certain assets that were transferred from the former Ontario Hydro.
  - The indemnification is subject to a $10 million deductible, and Hydro One makes an annual payment to OEFC of $5 million under this agreement in exchange for the Province guaranteeing any liability arising from these indemnifications. To date there have been no claims by Hydro One under this agreement.
- Since the Province will no longer be the sole shareholder of Hydro One following the IPO, the Province (Ministry of Finance) and OEFC are working together with Hydro One to draft a proposed amendment to sunset the indemnity within a set timeframe.
  - This intention should be disclosed in the Preliminary Prospectus.
  - Any amendment would require the prior written consent of the Minister of Finance.

1. IPO Implementation

B. Process: Exchange Listings

- Once the foundation for an IPO has been established, the Province must determine where to float the initial public offering
  - Scotiabank and RBC Capital Markets have recommended a Toronto Stock Exchange listing
- There may also be advantages to distributing shares in other jurisdictions (diversification, increased liquidity etc.), although this cannot be done until after the initial IPO. If a decision is made to offer shares of Hydro One on other platforms (e.g. NYSE), Hydro One may in the future require access to a Multijurisdictional Disclosure System (MJDS), which:
  - Permits eligible Canadian issuers to raise capital in US in a cross-border public financing
  - Allows issuers to mitigate substantially the impact of dual regulation and oversight by two sets of securities regulators
  - Generally has no SEC review, although the SEC reserves the right to review.
- It is expected that shares will be sold in the US market in reliance on the 144A exemption for sophisticated purchasers, rather than seeking an immediate public listing in the US

1. IPO Implementation

B. Process: Documentation/Agreements

Preliminary Prospectus

- The preliminary prospectus, prepared by Hydro One, its counsel and the active bookrunner(s) working together with provincial staff and approved by the Hydro One Board, provides details about the investment offering to assist potential investors in making informed investment decisions
  - The Minister of Energy will sign the preliminary prospectus certifying the disclosure on behalf of the Province in his role as selling shareholder. Hydro One will also sign the prospectus
- Hydro One must file its preliminary prospectus with the Ontario Securities Commission (OSC) as its principal regulator and other Canadian securities commissions as selling shareholder and, if required by the OSC, as a promoter
  - OSC reviews the document and provides comments that are typically focused on the structure and terms of the offering and the adequacy of the disclosure in the document
  - Hydro One and its legal counsel will respond to any initial or follow on comments raised by the OSC, and will submit an amended and restated preliminary prospectus that reflects any significant changes requested by the OSC
- The preliminary prospectus will likely be filed with the OSC in early September
  - The preliminary prospectus, which is a public document, will include disclosure of the Governance Agreement, Registration Rights Agreement, departure tax determination and the Province's capital contribution to Hydro One Limited, the loan and share purchase agreements with the PWU and the Society, and the Hydro One Limited business plan
- Marketing will commence after completion of the OSC review process, which is typically concluded within 4 weeks from the filing of the preliminary prospectus and the filing of an amended and restated prospectus to reflect the OSC's comments
- The preliminary prospectus also forms the basis for a listing application, formally requesting that Hydro One's securities list on the given Exchange
  - This review generally focuses on the company's business plan, material shareholders, officers and directors, risks associated with an investment in the company and compliance with the minimum listing requirements of the Exchange

1. IPO Implementation

B. Process: Signing Requirements

- There are multiple agreements that must be put in place to facilitate the IPO. While many of these documents will not need to be signed until the IPO closes, the government will need to approve these in late August in order for them to be summarised in, and/or separately filed with the preliminary prospectus
    - **Registration Rights Agreement:** Outlines terms on which the Province can require Hydro One assistance to sell shares and terms to facilitate coordination with Hydro One on its own issuances (see section 2 for details)
    - **Governance Agreement:** Outlines rights and obligations of the Province as an investor, including the number of, and process for nominating, Provincial nominees and rights of the Province depending on ownership (see section 2 for details) and includes provisions for pre-emptive rights
    - **Underwriting Agreement:** The underwriting agreement outlines the terms on which the underwriters agree to purchase and distribute the shares of Hydro One Limited, including the offering price and number of shares to be sold (the base offering, plus an "over-allotment option" allowing the underwriters to purchase additional shares for market support)
    - **Lock Up Agreement**: To maintain an orderly market post-closing of the IPO, Hydro One (as issuer) and the Province (as selling shareholder) will enter into an agreement not to sell any additional shares for 180 days after the IPO closes without the underwriters' approval
    - **Other Agreements**: Various ancillary documents required to complete the transaction
- The shareholder, represented by the Minister of Energy will be required to sign these agreements

1. IPO Implementation

C. Marketing and Closing: Road Shows

- Scotiabank and RBC Capital Markets will prepare a summary of the prospectus, referred to as a "green sheet" (used in marketing), as well as a roadshow presentation, both of which are required to be filed prior to commencement of marketing; however, the prospectus will be considered the comprehensive marketing document
- The underwriters will arrange meetings, called "road shows," with financial analysts, brokers, and potential institutional investors
- Underwriters will solicit expressions of interest during marketing and build a book of interested investors
  - Building a book involves developing a list of interested investors and keeping track of the quantity and price of securities they would be willing to purchase

1. IPO Implementation

C. Marketing and Closing: Final Prospectus, Pricing & Closing



- Based on the results of marketing, the active bookrunners, Scotiabank and RBC Capital Markets, and the Province will determine the price of the offering and the allocation of shares to investors
- All significant issues arising from the OSC review of the preliminary prospectus will be resolved by the filing of the amended and restated prospectus
- Once the offering has been priced, the final prospectus and the underwriting agreement are finalized
  - The underwriting agreement sets forth the terms and conditions of a securities offering, including the underwriter's compensation (a percentage of proceeds plus expenses), the offering price, and number of shares
- Once a receipt has been issued for the final prospectus, it is printed and delivered to prospective purchasers. The prospective purchasers at this time will have a waiting period to withdraw their offer (two business days after receipt of final prospectus)
- Typically, closing will take place within one week of the issuance of the receipt for the final prospectus. Following closing, the securities are listed and trading will commence on the Exchange
- The underwriters may choose to use a "PREP" or "post-receipt pricing" prospectus: this procedure allows companies to file a final prospectus that would be approved by the OSC, that omits the deal size and other pricing information that would be receipted by the OSC, and once pricing is determined a "supplemented prospectus" is filed and provided to purchasers (typically filed the next day)
  - This gives companies greater flexibility in timing an offering to take advantage of market opportunities

1. IPO Implementation

Government Communications Plan

- Securities laws restrict the communications that can be made by a seller/issuer of shares while it is preparing for, and during, an IPO
  - This is known as the "**quiet period**"
- Generally, the quiet period is aimed at preventing the seller/issuer from engaging in communication that is aimed at promoting the shares that will be offered to the public in the IPO
- As the Province has publicly announced that it intends to move forward with the Hydro One IPO, the Province has entered the quiet period with respect to the transaction
  - As such, the Province should not engage in any communication that promotes Hydro One's shares
- Given its public mandate, there is scope in spite of these rules for the Province to discuss policy rationales supporting the IPO and the potential benefits the IPO brings to the Province provided it does so only where necessary to support that mandate and on a limited basis
- **Communications should use approved key messages focusing on the policy rationale for the IPO to avoid inadvertently breaching securities laws**
  - This is important for all oral statements made by Ministers, MPPs or government officials, and press releases

1. IPO Implementation

CUPE

- CUPE wrote the Ontario Securities Commission on July 15, 2015 to raise concerns about the IPO and particularly the conduct of the Government as sole shareholder of Hydro One in restricting the powers of Hydro One's board of directors during the IPO. This correspondence follows an earlier press release that challenged the authority of the Province to proceed with the IPO based on the provision of the *Electricity Act, 1998*
- Counsel for CUPE more recently called for broad stakeholder consultation on matters related to Hydro One and indicated that stakeholders will be watching the IPO process going forward
- The authority of the Province to proceed with the IPO was addressed through legislative amendments that came into force on June 4, 2015
- A shareholder declaration dated July 24, 2015 returned in full the powers of the board of directors of Hydro One with respect to the IPO.
  - This declaration followed the appointment of the new board

Strategy

- Provide assurance in the prospectus to underwriters and the market regarding authority of Minister to sell the shares in Hydro One

1. IPO Implementation

First Nations & Métis

- The Chiefs of Ontario (COO) wrote to Minister Chiarelli on July 13, 2015 advising that First Nations recognize the partial sale of Hydro One as a "significant opportunity…to move past historic grievances and to…share resources and the benefits of the lands." The Chiefs of Ontario stated an expectation to own 10 percent of Hydro One and to work with the Minister and the Ministry to ensure that ownership of shares is transferred outside of the IPO
- The COO letter was followed by a letter on July 16, 2015 from the Nishnawbe Aski Nation (NAN) who wrote that the privatization of Hydro One "activates" the Crown's duty to consult and accommodate Aboriginal and Treaty rights. NAN requested the establishment of a NAN Energy Table with Ontario on energy and policy development affecting the Treaty 9 and Treaty 5 territory
- The Metis Nation of Ontario also indicated an interest in discussing the IPO during their Annual General Assembly held on August 22-24, 2015
- A legal challenge by First Nation communities, regardless of merit, could impact the timing of the IPO

Strategy

1. Minister Chiarelli is scheduled to meet with Chief Day on Aug 26th. The Minister would propose that a facilitated discussion might help accelerate the dialogue and can offer to return with some potential names of individuals that would be helpful in this regard
2. The Ministry of Energy is proposing to work with the MAA, MAG and CO to engage FN communities through facilitated discussions and to provide re-assurances that this discussion can happen outside the IPO process and without concern about the timelines of the IPO. There are multiple share offerings planned that can provide the opportunity for First Nations
3. The Ministry of Energy will assess potential arrangements to support First Nation share purchases and report back to TB/MBC prior to tabling a formal proposal
4. The Ministry of Energy will offer an information meeting to the Metis Nation of Ontario to discuss the IPO process.

2. Governance Agreement & Registration Rights Agreement

2. Governance Agreement & Registration Rights Agreement

Significant Changes Post IPO

- Prior to the IPO, as sole Shareholder, the Province has been able to direct Hydro One through Shareholder Declarations and Resolutions and use Hydro One to achieve certain policy objectives
- Post-IPO, the Province's relationship with Hydro One will change in three main ways:
  1. Province will deal with Hydro One as an investor with respect to its ownership interest
     - The Province would engage in the business and affairs of Hydro One as an investor, rather than a manager and intends to achieve its policy objectives through regulation
  2. Though the Province will be the most significant shareholder, it will be one shareholder among many
     - The Province would vote its shares as any other shareholder, except for restrictions as expressly provided for in the Governance Agreement (i.e. restrictions on its rights to vote on the election of directors and to initiate fundamental changes) and its right to nominate 40% of the directors, or its pro-rata share, whichever is less
  3. The Province's fiscal/financial relationship with Hydro One will change
     - The Province will seek to maximize its return on investment and will need to organise in a manner that enables administration of its rights and obligations as a shareholder, including management of confidential information

2. Governance Agreement

Pre-IPO Decisions and Approvals by Province

Governance Standards:

- Hydro One will adopt governance standards consistent with best practices in Canada for leading public companies having regard to Hydro One's ownership structure and the Governance Agreement
  - These would typically include mandates setting out the role and responsibilities of the CEO, the board and each committee, and may include policies on board composition (a skills matrix and diversity policy), the Ombudsperson's mandate and a Majority Voting Policy

Board of Directors/Hydro One Executives:

- Director nominees must be experienced, meet the requirements of corporate and securities laws, and be independent of the Province
- Province appointed all the initial directors that will serve on Hydro One's initial post-IPO Board
- Province approved the initial Chair of the Board (David Denison) and is working with the Board to identify the new CEO

Rationale:

- As with other public companies, the governance of Hydro One is vested in its Board of Directors
- All directors (including the Provincial nominees) must act in accordance with their fiduciary duty to act in the best interests of the company. In practical terms this often means directors seek to maximize return to investors while considering other stakeholders' (e.g. creditors, unions, etc.) interests
- This commitment will enable the Province to maximize value through the IPO by providing investors with comfort regarding the Province's role with respect to governing Hydro One

2. Governance Agreement

Governance Principles

- "Governance Principles" are obligations of Hydro One and the Province:
  - Hydro One to maintain governance consistent with best practices
  - Hydro One's Board is to be responsible for overseeing Hydro One's business
  - Province is restricted from engaging in the business and affairs of Hydro One "as a manager", signalling the commitment of the Province to vest the management of the Company in the Board of Directors and the Officers of the Corporation (CEO, CFO)
- The OEB will continue to regulate Hydro One and the Province will retain the ability to enact or enforce laws that affect Hydro One. Hydro One will also continue to contribute to system planning pursuant to its regulatory obligations
- With respect to its ownership interest in Hydro One, the Province will state its intention to achieve its policy objectives through regulation. However, the Province will preserve its right to vote its shares in the sole interest and sole discretion of the Province, except as expressly provided for in the agreement
  - The Province will not be restricted from achieving its policy objectives through regulation of the sector

Rationale:

- This is fundamental to provide comfort to the market that the Province will act in a manner that is consistent with being an investor
- This limitation will restrict the Province's ability to use its investment in Hydro One to achieve energy policy objectives
- The OEB will continue to regulate Hydro One, including ensuring Hydro One provides planning information to the IESO, and the Province will maintain its right to enact or enforce laws that affect Hydro One

2. Governance Agreement

Provincial Representative

- The Governance Agreement lists the Minister of Energy, or any other person designated by the Minister of Energy, as the Provincial Representative to fulfil any obligation or exercise any right of the Province under the Governance Agreement
- Any action taken by a Provincial Representative binds the Province. This role will be critical to manage the Province's investment
  - "Provincial Representative" is defined as the Minister of Energy and any other person designated by the Minister of Energy as representing the Province for matters under the Governance Agreement, provided the Minister designates no more than one person for a particular matter

Rationale:

- The Minister of Energy will designate a representative of the Province in order to ensure consistency in dealings with Hydro One and a nimble response to circumstances as they arise
- The Province will consider who will act and have authority to act in this capacity in any designation, as well as the interplay between a designation and other government processes such as financial approvals (Treasury Board)
- Any designate will represent the view of the government as a whole, recognizing that within government, different interests may exist (e.g., need for access to information, financial reporting vs. obligation to protect against use of insider information)

2. Governance Agreement

Board Composition

- The Board will establish a Nominating and Governance Committee with governance responsibilities, including recruiting, assessing and succession planning for directors, ensuring that the board has appropriate competencies to fulfil its stewardship role in the management of Hydro One
- The Board would consist of 10 to 15 members and would be comprised of:
  - the CEO;
  - Province would nominate 40% of the number of directors (or its pro-rata share, whichever is less, but subject to a minimum cure period); and
  - the Nominating and Governance Committee would nominate the remaining directors

Rationale:

- The Province would continue to have at least 6 of 15 (or 4 of 10) nominees unless it falls below 35% (due to rounding)
- Reflects good governance practices where board representation reflects ownership and value is maintained for the Province by ensuring that the majority of the Board is nominated by others

2. Governance Agreement

Election of Directors to the Board

- Both the Nominating and Governance Committee and the Province will need to be satisfied, acting reasonably, that each director nominated by the other satisfies the qualifications outlined in the Governance Agreement
- The Province and the Nominating and Governance Committee may reject a nominee only if it determines, acting reasonably, that the nominee does not meet the qualifications required by the Governance Agreement
- The initial directors at the time of the IPO are not subject to this process unless their circumstances change materially
- The parties would need to provide notice (including reasons) of nominee rejections within 10 business days of the nomination, failing which nominees are deemed fit to be nominated
  - Any disputes would be determined by binding, confidential arbitration
- The Board would propose the slate of director nominees for election at a meeting of shareholders
- The Province would be required to vote for the proposed slate including its own nominees. It would not be permitted to withhold votes from individual nominees, except where it withholds votes from all of the directors (other than the CEO and, in the Province's sole discretion, the Chair) or in a contested election
  - Contested election occurs where there are more nominees than available board seats, which could occur if a shareholder (other than the Province) nominates one or more directors
  - In a contested election the Province would be free to vote its shares but may not nominate directors except in accordance with procedures set out in the Governance Agreement
- The Company would institute a majority voting policy under which any director that does not receive at a majority (50%+1) of the total votes cast for or withheld would be required to resign

2. Governance Agreement

Election of Directors to the Board (Cont'd)

Rationale:

- This provides assurance to investors that the Province would not use its voting control to, in effect, select each individual member of the board
- While the Province owns more than 50% of Hydro One common shares, withholding votes from directors would be sufficient to require the resignation of any such director who is elected and if the Province owns between 40% and 50% of Hydro One common shares, the Province's holdings would likely also be sufficient (and will be if less than 80% of the shares are represented in person or by proxy at the meeting)
- For directors that tender their resignation under the majority voting policy, Hydro One's board will have discretion to accept the resignations immediately and sequentially replace the directors with new qualifying nominees of the Province and the Nominating and Governance Committee, to call a shareholders meeting for the election of directors, or not to accept the resignations at all, or some combination of those alternatives

2. Governance Agreement

Province's Right to Vote to Remove the Board

- Outside of the annual nomination process, the Province would have the right to require a shareholders meeting to be called to consider the removal of the Board at which the Province may vote for the removal of all, but not less than all of the Board (other than the CEO and, at the Province's discretion, the Chair)
- If the Province's vote to remove the Board is successful, the then current Board would remain in place until the replacement directors are elected, and new directors would be nominated as follows:
  - The CEO
  - Province would nominate 40% of the replacement directors or its pro-rata share, whichever is less (again with the same cure period if its interest falls below 40%)
  - If Province elects to not remove the Chair of the Board, the Chair would be one of Province's replacement nominees
  - A Committee (comprised of one representative of each of Hydro One's 5 (or at least 3) largest shareholders as known by Hydro One) would nominate the remaining directors
- Alternative to Committee being comprised of shareholders:
  - If 3 shareholders are not willing to serve on a Committee or it is not formed within 30 days of the Province requiring the removal meeting to be called, the four replacement directors nominated by Province would act as the Committee

Rationale:

- Provides the Province with the power to vote to terminate the Board (other than the CEO)
- While the Province owns more than 50% of Hydro One common shares, its vote would alone be sufficient to remove Hydro One's Board
- Given the 10% ownership restriction on all other shareholders, if Province owns between 40% and 50% of Hydro One common shares, the Province's holding would likely be sufficient to remove the Board, and is sufficient if less than 80% of the shares are represented in person or by proxy at the meeting

2. Governance Agreement

Governance of Subsidiaries

- This provision requires "mirror boards" for each of Hydro One, Hydro One Networks Inc. (HONI) and Hydro One Inc. (HOI), subject to applicable law
- The board of HOI and of HONI (which operates transmission and distribution) will be the same as the board of the new Hydro One
- Section 2.1.2 of the Ontario Energy Board's Affiliate Relationship Code provides that at least one-third of the board of directors of a utility (HONI) must be independent from any affiliate and the OEB has issued a compliance bulletin stating that a shareholder, director, officer or employee of an affiliate would not be considered independent
- Hydro One to cause subsidiaries to comply with the Governance Principles

Rationale:

- Mirror boards were requested in order to ensure alignment between the parent company and the subsidiaries
- Ministry and Torys have concluded that in these circumstances and given the independence requirement in the Governance Agreement, there are strong arguments that mirror boards comply with Section 2.1.2 of the OEB Affiliate Relationship Code, not withstanding the compliance bulletin

2. Governance Agreement

Province's Right to Acquire Shares of Hydro One

- Province would be permitted to acquire (subject to securities laws) additional Hydro One common shares in the market so long as its ownership interest after the acquisition does not exceed 45%
- Province would have a pre-emptive right to acquire Hydro One common shares or other voting securities (including securities convertible or exchangeable for voting securities) where Hydro One issues securities for cash (other than under employee compensation and dividend reinvestment plans):
  - Province would be entitled to acquire 45% of Hydro One common shares being issued, subject to compliance with securities laws and TSX requirements
  - Province would be required to accept the offering price negotiated with underwriters or other buyers
  - Province would have to confirm its participation in the offering in advance (Hydro One required to provide 30 days notice of an issuance, and the Province would have ten business days to respond) but can build in acceptable price ranges and corresponding caps on the number of shares to be acquired
- Province may still be diluted because Hydro One may issue shares (to acquire assets or on a merger) or for employee share compensation or as part of a dividend reinvestment plan, or because it decides not to exercise its pre-emptive right to buy shares in a cash offering
- Province is permitted to buy shares in the market up to 45% (subject to securities laws)

Rationale:

- This limits the Province from buying back shares in order to provide assurance to investors that the Province intends to reduce its ownership over time to 40%
- This will enable the Province to maximize value for the IPO
- The Province will have mechanisms to maintain 40% ownership as required in legislation, with a 5% buffer

2. Governance Agreement

Confidential Information

- Hydro One would enter into a confidentiality agreement with respect to information provided to Province to which the Province would agree:
  - To use information it acquires in its capacity as shareholder only for purposes of exercising its rights under the Governance Agreement and the Registration Rights Agreement for preparing the Province's consolidated financial statements or to manage its investment
  - To establish sufficient procedures to protect against insider trading, and
  - Not to disclose confidential information about Hydro One except as required by law and to provide Hydro One with prior notice of such disclosures where permitted by law

Rationale:

- This will ensure that confidential information the Province acquires as a shareholder is protected
- Procedures would be in place to ensure restricted distribution and prevent unauthorized use
- In designing these procedures regarding confidential information, Energy will look to existing models (e.g. legal and financial firms) as well as the IESO/OPA merger and experience gained through the Renewable Energy Facilitation Office and under the Green Energy Act, 2009, and ensure its procedures meet securities law requirements

2. Registration Rights Agreement

Overview

- A Registration Rights Agreement is a framework agreement often entered into between issuers (i.e., Hydro One) and their larger shareholders (i.e., the Province) who are subject to securities law restrictions on their ability to freely sell their shares
  - A commitment by Hydro One to facilitate offerings by the Province so that the Province can sell its shares over time
  - The terms within the agreement will continue as long as the Province is a "control person" of Hydro One Limited under securities law (i.e., holds 20% or more of Hydro One Limited's voting securities)
- This agreement also sets out firm timelines within which the Province will need to act
  - Hydro One will give 30 days' notice if it is moving forward with an offering, and the Province will have 10 business days to exercise its right to "piggy back" on this issuance
  - This is the same timeline that the Province will need to follow in order to exercise its pre-emptive right under the Governance Agreement to purchase any of a Hydro One offering of voting securities
  - Tight timelines are common within these types of agreements
- The following slides provide an overview of key terms of the Registration Rights Agreement

2. Registration Rights Agreement

Share Offerings

- Under this agreement, the Province can require Hydro One to facilitate an offering of the Province's shares, under a prospectus in Canada or as a private sale (prospectus-exempt transaction) in Canada or other jurisdictions
  - Hydro One is obligated to use commercially reasonable efforts to assist
  - On request, Hydro One is obliged to provide the Province with a prospectus no more than 4 times in a 12 month period (more than would be typical under most registration rights agreements) and Hydro One may defer a request for up to 60 days for confidentiality or bona fide reasons (e.g., financial results or a major announcement pending)
  - The Province would enter into an underwriting agreement and lock up agreement on "customary market terms" in connection with these offerings
- The Province also has the right to "piggy back" on a Hydro One offering
  - Hydro One must provide notice of a proposed distribution to the Province not later than 30 days prior to the date Hydro One enters into an agreement to issue shares
  - The Province has 10 business days after receiving the piggy back notice to determine if it wishes to participate in the proposed distribution
  - If the Province chooses to piggy back on a Hydro One distribution, the underwriters may limit the number of shares on a pro rata basis that are included in the distribution, if in their reasonable judgment, market conditions require such limitations in order to maximize value of the offering

2. Registration Rights Agreement

Other Details

- The Province is responsible for the costs associated with a distribution of shares under a demand registration
  - The Province is responsible for these costs even if the Province withdraws its request for a demand registration or in circumstances where a distribution does not otherwise occur pursuant to a prospectus prepared at the Province's request
  - The Province and Hydro One share costs in proportion to the gross proceeds for a piggy back registration
- The Province is not required under the Registration Rights Agreement to provide any indemnities to Hydro One or the underwriters (although the underwriters may nonetheless request this for a particular future offering)
  - Hydro One is required to indemnify the Province and the underwriters for any claims that may arise with respect to misstatements or omissions in the prospectus or failure to comply with securities laws
- If Hydro One lists its shares in the United States in the future, the demand and piggy back registration rights will be extended to U.S. offerings

2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Context

- Even though the Province will remain the largest shareholder, Hydro One will be a publicly traded company requiring the Province to manage its interest as an investor
  - Legislative requirements as well as governance arrangements as set out in the Governance Agreement between the Province and Hydro One will need to be monitored and acted upon
  - The Province will need to manage its shareholdings, abiding by the terms set out in the Governance Agreement which will outline the terms of the Province's pre-emptive right and restrictions on the Province's right to buy shares, and in the Registration Rights Agreement which will outline the terms on which the Province can sell shares and terms to facilitate coordination with Hydro One when it offers shares publicly
  - A deep understanding of market conditions and Hydro One performance will be required to provide effective ongoing management of this important asset as well as to meet the fiscal targets established by the Government with respect to the sale of additional shares
- In order to effectively carry out these roles and responsibilities, the government will need to dedicate resources and expertise to support the government shareholder in these decisions
- The following slides provide an overview of the administrative framework the Ministry of Energy will use to manage its obligations as an investor in Hydro One moving forward

2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Considerations

Flexibility/Timing:

- Delegation of authority combined with standing mandate to undertake buy and sell transactions would be required to facilitate quick action
  - Hydro One will give 30 days notice if it is moving forward with an offering, and the Province will have 10 business days to exercise its right to "piggy back" on this issuance
  - This is the same timeline that the Province will need to follow in order to exercise its pre-emptive right to purchase any of a Hydro One offering

Division of Financial/Policy Decisions:

- The Province will need to ensure there is a distinct line between those with access to policy decision making and those making buy/sell decisions to maintain the Province's role as an investor and meet securities law requirements
  - The Financial Advisor procured by Energy will provide independent advice on whether to buy or sell with no knowledge of current policy discussions ongoing at the Ministry of Energy that could impact Hydro One

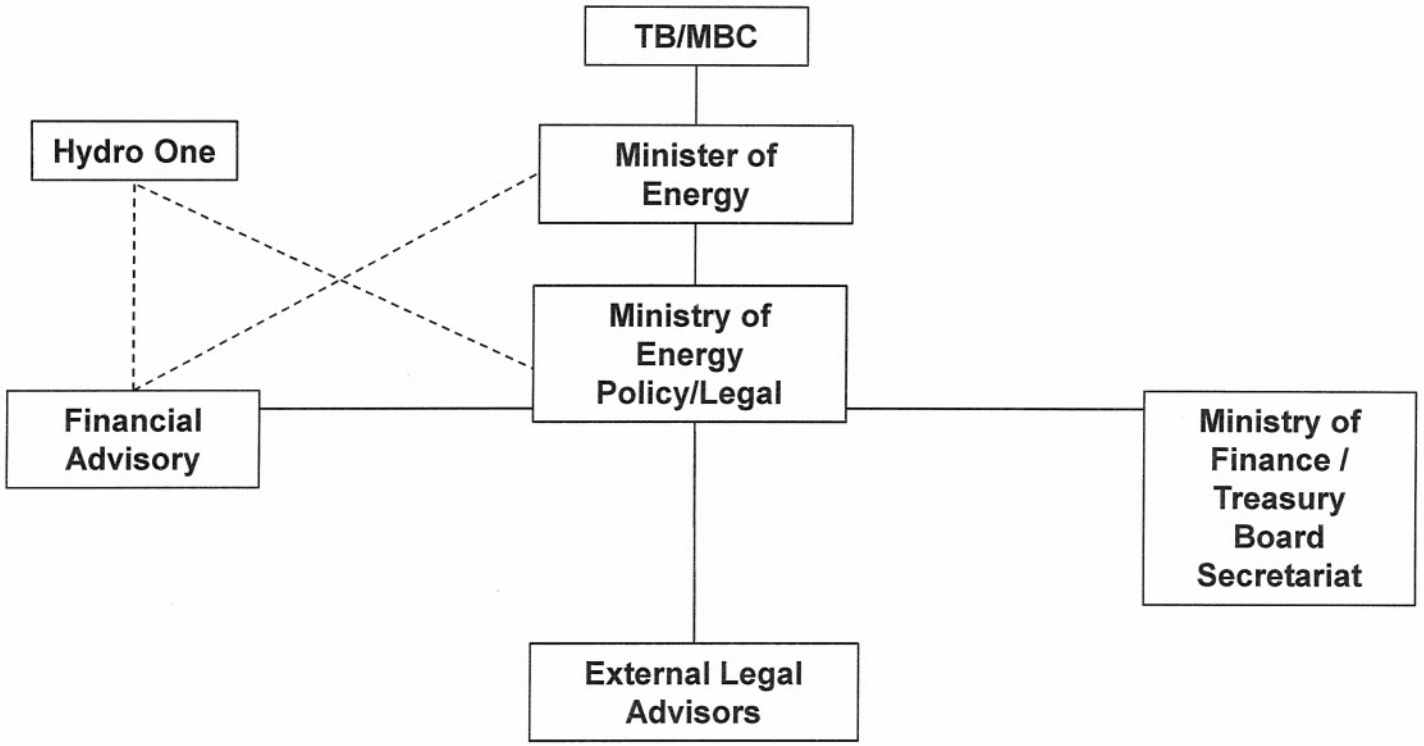
Coordination Role

- Energy would continue to work with Finance to ensure close coordination with fiscal priorities

2. Governance Agreement & Registration Rights Agreement

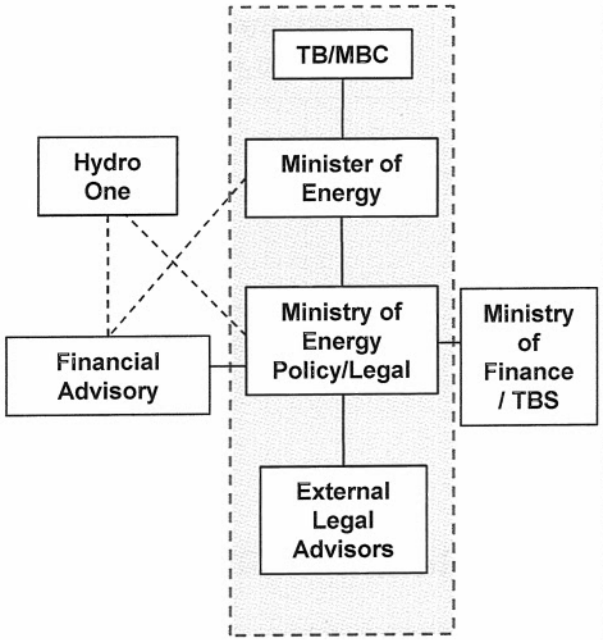
Administrative Framework: Overview

- Ministry of Energy plans to build on existing oversight functions in place and provide direct support to Minister leveraging external expertise as required
- Proposed reporting structure is illustrated below:



2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Ministry of Energy Role

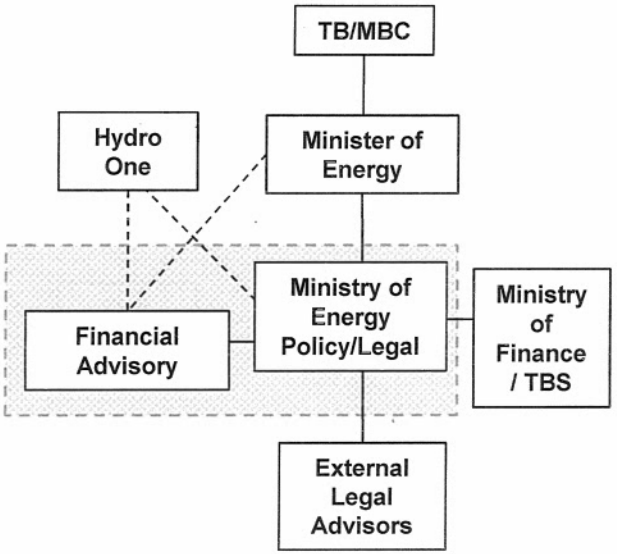


Structure:

- **Role:** Minister as shareholder, represents the Province, as investor in Hydro One
  - Energy would monitor Hydro One to ensure legislative and governance agreements requirements are met (head office, holdings)
  - Meet with members of the Hydro One Limited nominating committee to identify and confirm nominees for the Board of Directors annually and as needed
- **Resources:** Ministry policy and legal would form a virtual team to act as staff lead, with support from other ministries (e.g. Finance and TBS) and external legal expertise engaged on an as-needed basis
  - ENERGY is already involved in the monitoring of Hydro One (business plans, regulatory filings, consolidation on Province's books)
- **Meetings**: Currently the Ministry of Energy hosts a weekly IPO meeting with representatives from Finance, TBS, Council staff, Hydro One and Torys
  - These meetings would continue on a bi-weekly basis post-IPO and allow each party to feed in to the group on a consistent basis
- **Authority:** Energy would report in to Treasury Board/Management Board of Cabinet (TB/MBC) on an annual basis (or as needed) to receive broad policy approval to purchase and sell shares during the future fiscal year, and would report back to TB/MBC following each transaction that took place
  - The Minister of Energy would approve individual transactions

2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Financial Advisory

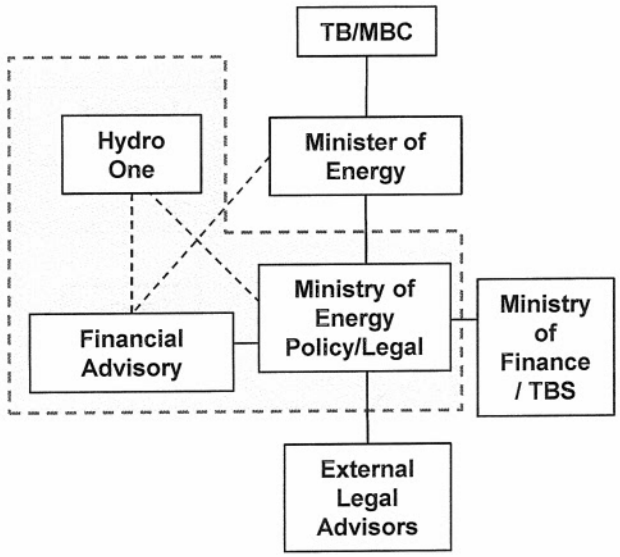


Structure:

- **Role:** Act as the Province's financial advisor
  - Could procure external Financial Advisors as needed to monitor market conditions to inform buy/sell decisions
  - Would advise Energy on other governance matters (legislative requirements, nominations etc.)
  - The Ministry of Energy is requesting an exemption from the OPS Procurement Directive and from the Central Common procurement process for these financial services to manage its investment going forward
- **Resources:** Financial advisory would work with the Ministry and procure external financial advisors as required
  - This committee would be made up of senior level people with strong financial and accounting knowledge. Members could include a mix of public and private sector experience
- **Meetings**: Members of the financial advisory would join Energy's IPO meetings to update the group on a bi-weekly basis
  - The financial advisory would also have a direct communication line with Energy to provide advice on a daily basis
- **Authority:** The financial advisory would receive direction from the Ministry of Energy obtained through Treasury Board as explained on the previous slide

2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Hydro One Role

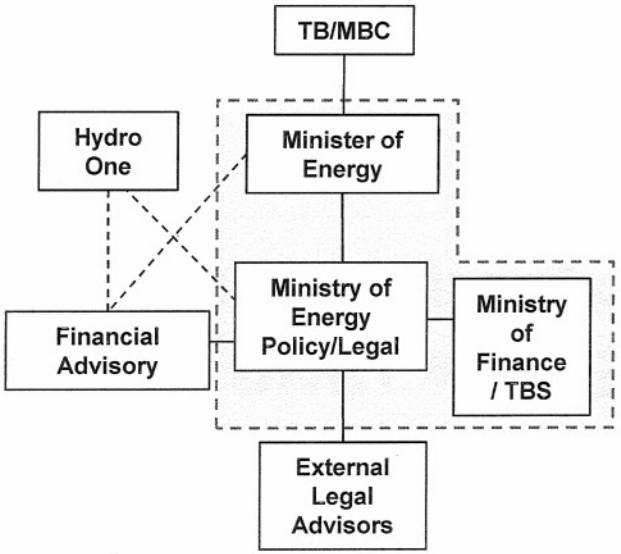


Structure:

- **Role:** Hydro One would coordinate closely with the Province to facilitate secondary share offerings
  - Timing and requirements outlined in the Registration Rights Agreement
- **Resources:** Hydro One would have one contact at the Ministry of Energy in order to coordinate broad strategy, and a contact with the Province's Financial Advisory
- **Meetings**: Given Hydro One's position as a publicly traded company it would not be involved in the Province's weekly IPO meetings
  - Hydro One would have a direct communication line with Energy to ensure both parties are aware of the others' near-term intentions
- **Authority:** Hydro One would be required to support the Minister of Energy (within the limits of the Registration Rights Agreement) in the event of share sales by the Province

2. Governance Agreement & Registration Rights Agreement

Administrative Framework: Ministry of Finance / Treasury Board Secretariat Role



Structure:

- **Role:** Ministries of Finance and Treasury Board Secretariat will work with the Ministry of Energy and be responsible for setting targets for the Ministry of Energy to support the fiscal plan
  - Finance could ensure close coordination with fiscal priorities
  - TBS could ensure appropriate government approvals are taken into account
- **Resources:** Policy and legal staff from MoF and TBS would work closely with the Ministry of Energy
  - Finance could engage the OFA which has a large pool of financial market expertise and already conducts borrowing, investment and financial risk management for the Province
- **Meetings**: Both Finance and TBS would continue to be involved with the IPO meetings held by the Ministry of Energy
  - Finance and TBS would have a direct communication line with Energy to ensure close coordination
- **Authority:** Finance and TBS would support the Minister of Energy in his role as shareholder

3. PWU and Society Loan and Share Purchase Agreements

3. Loan and Share Purchase Agreements

Context – Collective Bargaining

- The Council's Phase 1 report highlighted the need for a dialogue with management and labour unions to address cost implications of labour and pension agreements at Hydro One
- In January 2015, the Ministry of Energy received TB/MBC approval to establish a bargaining mandate for agencies in negotiations within the Energy sector which included three key provisions:
    1. Multiple year agreements (2-4 years)
    2. The cumulative effect of the resolution of compensation issues would reflect an overall net neutral costing result
    3. Pension contributions from employees adjusted upwards gradually in order to achieve equal cost sharing between employers and employees
    4. Where relevant, enable restructuring activities recommended by the Council and approved by government
- In the Council's Phase 2 report the Council recommended that the Province, Hydro One management, and unions finalize agreements on pensions and labour costs in advance of the Hydro One IPO to address issues raised by the Leech Report and the Ontario Energy Board with respect to pensions and compensation
- In May 2015, the Ministry returned to TB/MBC and received approval of tentative agreements between Ontario Power Generation, Hydro One and the Power Workers' Union, prior to ratification
- In August 2015, the Ministry returned to TB/MBC and received approval of tentative agreements between Hydro One and the Society, prior to ratification

3. Loan and Share Purchase Agreements

Required Approvals

- The Power Workers' Union (PWU) and Society share purchase, loan and ancillary agreements are expected to be agreed with the Province in September before the preliminary prospectus is filed, after the PWU reached collective agreements with Hydro One and OPG, and the Society reached collective agreement (yet to be ratified) with Hydro One, and OPG (still in negotiation)
- These collective agreements, approved by TB/MBC in May for PWU and August for Society, provide for net zero increases and substantial movement in pension sustainability, aligning with the recommendations contained in the Leech report
- The unions have expressed a desire to invest in high quality jobs for Ontarians and the Province believes the investment would be consistent with the purpose of the IPO and better align the interests of the unions with investors in Hydro One
- The transaction would be documented by a Share Purchase Agreement, Loan Agreement and related security documentation
  - TB/MBC approval is required for these agreements
- An OIC for the PWU loan and approval for Supplementary Estimates in the Ministry of Finance's estimates in the amount of the proposed loan to the PWU is also required to be approved
- Approval for an OIC for the Society Trust loan will be sought when the amount of the SEP Trust loan is finalized

3. Loan and Share Purchase Agreements

Share Purchase Agreements – Summary

- The share purchase agreements are expected to be signed by the Borrowers and the Ministry of Energy shortly before the prospectus is filed but the Hydro One common shares will not be transferred to the Borrowers until the IPO is closed
- The Hydro One common shares will be sold to the Borrowers under a securities law exemption and therefore will not be qualified under a prospectus
- The Borrowers are to be 2 trusts, for the benefit of each of the PWU and Society, which would qualify as an accredited investor for securities act purposes
- We have requested an opinion from counsel to each Borrower that the Borrower's sole beneficiary is the relevant union, that the sole trustee is a corporation wholly-owned by the relevant union and that the trust is validly established
- We will provide an opinion from our legal counsel that the sale to the relevant unions is exempt from prospectus requirements. Our legal counsel will review the financial statements of the PWU and Society on a confidential basis (which would not permit our legal counsel to disclose any information in the financial statements to the Province)
- Neither the Borrowers nor the unions will be permitted to buy any additional Hydro One common shares in the IPO
- The Province provides limited representations and warranties regarding authority to enter into the due authorization of the agreements and ownership of the shares, which representations will survive closing

3. Loan and Share Purchase Agreements

Loan Agreements - Background

- The Minister of Finance, on behalf of the Province, (the "Lender") will advance term loans to two Ontario corporations, each in its capacity as trustee of an Ontario trust (the "Borrower"); the sole shareholder of the corporation and the sole beneficiary of the trusts would be the relevant union
  - The loan to the PWU will be in the amount of $75M
  - The loan to the Society will be in the amount up to $36M
- The Borrowers will be newly formed sole purpose trusts created for the purposes of these transactions.
  - The terms of a side letter by the relevant union and the Borrower in favour of the Lender and the Minister of Energy will require that the benefit of the Hydro One common shares ("Shares") acquired with the Loan and any distributions or proceeds from those Shares be used for training, employee benefits and other matters determined by the relevant union to be for the benefit of its members.
- The Loans will be used to:
  - purchase the Shares at the IPO price; and
  - pay for the fees of any financial advisors to the PWU and the Society in connection with the negotiation of the Loan and labour agreements
- Each Borrower will agree not to vote any Shares it owns in any matter for so long as the Loans remain outstanding (Maximum term of 15 years)

3. Loan and Share Purchase Agreements

Loan Agreements - Summary

- The material terms of the Loan Agreements include:

Maturity

- The Loans mature and become repayable in full 15 years from the initial advance

Limited Recourse

- Because the Borrowers are single purpose entities created to obtain the Loans and acquire the Shares, and the PWU and the Society will not be party, the Province's recourse will effectively be limited to the pledged Shares, including dividends received on the Shares

Conditions Precedent

- The IPO is closed
- The PWU collective agreements with Hydro One and OPG and the Society collective agreement with Hydro One and OPG are in good standing for the full period currently contemplated for the collective agreement
- Other standard conditions precedent

Interest

- The interest rate applicable to the interest period (as selected by the Borrowers) will be the Government of Ontario's borrowing rate for a term equal to the selected interest period, plus 15 basis points
- Interest will be payable in arrears at the end of each fiscal quarter but interest may be deferred by the Borrowers as described on the following slide

3. Loan and Share Purchase Agreements

Loan Agreements – Summary (Cont'd)

Interest and Principal Payments

- Interest payments are to be made solely from quarterly dividends on the Shares
- If the dividends are insufficient to pay the interest due on any interest payment date, the Borrowers may elect to defer payment of interest to the next interest payment date
- If the market value of the Shares pledged by the Borrower is greater than 2x the outstanding principal balance and deferred interest, the Borrower may use any dividends in excess of interest payments for its own purposes

Repayment

- The Borrower may prepay the Loan without penalty at any time
- If the Borrower sells the pledged Shares, the proceeds of the sale must be used to repay the Loan
- If there is a change of control of Hydro One (defined to be the acquisition by any person of 100% of the common shares of Hydro One, the Borrower must repay the Loan in full)
- If the market value of the Shares pledged by the Borrower is less than 2x the outstanding principal balance and deferred interest, the Borrower must use the excess dividends (i.e. dividends remaining after payment of interest including deferred interest) solely to repay the Loan

Security

- The Loan will be secured by the pledged Shares and by dividends received on the pledged Shares
- If the value of the Shares pledged by the Borrower exceeds 2x the principal and interest on the Loan, the Borrower can request that Shares (not having a market value less than $100,000) be released up to an amount such that the market value of the pledged Shares is not less than 2x the outstanding principal balance and deferred interest. The released Shares (including dividends received on the released Shares) will no longer be security for the Loan

3. Loan and Share Purchase Agreements

Loan Agreement – Summary (Cont'd)

Negative Covenants

- The Loan Agreements contains restrictions on the ability of each Borrower to:
  - change its business,
  - acquire or dispose of assets,
  - amend its constating documents, or the deed of trust, or dissolve or terminate the trust,
  - grant security interests,
  - make restricted payments,
  - incur debt or provide financial assistance,
  - vote Shares,
  - create subsidiaries,
  - enter into reorganizations, or
  - enter into non-arm's length transactions
- These restrictions are subject to certain carve-outs, including the ability to incur debt from the PWU provided the debt is contractually subordinated and the ability to make investments with the proceeds and distributions of released Shares

Miscellaneous Provisions

- Lender may assign the Loan without Borrower's consent:
  - after an event of default, or
  - to another governmental entity or a corporation controlled by a governmental entity (whether before or after an event of default)
- Lender may otherwise assign the Loan with the Borrower's consent to any third party before an event of default
- The Borrower provides a standard indemnity to the Lender for all losses incurred as a consequence of a default, the entering into of the Loan Agreement by the Lender or the application by the Borrower of the proceeds of the Loan

3. Loan and Share Purchase Agreements

Loan Agreement – Variances from Term Sheet with PWU

- In the original term sheet, it was not contemplated that the borrower would need to take on any other additional debt, other than the $75 million loan with the Province. However, the borrower is being allowed to assume subordinated debt with its union (for the purposes of paying administrative costs such as management, consulting, advisory fees or similar compensation, and making the trust income payable to the union) and its trustee (for the purposes of indemnifying and remunerating the trustee)
- The Borrower can make certain permitted investments using distributions and proceeds on released shares
- The unions will also be permitted to purchase additional common shares from the Province (through separate trusts) with their own resources
- Finally, the original term sheet stated that neither Hydro One, the lender nor the borrower would be allowed to make any public announcement concerning the loan or the purchase agreement without the written consent of either party except as may be required by law or rule of any stock exchange or quotation system. The Agreements now contemplate that the agreements will be described in the prospectus (the form of which is being agreed) and otherwise remain confidential, subject to certain carve outs

Most Favoured Nations

- The Province also agrees to include as a term of the loan that it shall not provide Financial Assistance on financial terms any more beneficial to a Related Union than the financial terms reflected in the Loan Agreement for the purpose of such Related Union investing in Hydro One shares. The amount of loan provided to a Related Union should mirror the Loan to PWU on a per capita basis

3. Loan and Share Purchase Agreements

Loan Agreement - Impacts

- The administrative work for this provincial loan can be accommodated by existing staff within the Ministries. There are no new FTEs being requested and therefore no administrative impacts
- There is a slight risk that the common share price of Hydro One Limited could decline such that the market value of all the shares held by the Borrower have a value of less than the remaining loan balance. The borrower also has the ability to obtain the release of pledged shares to the extent that their value exceeds two times the amounts outstanding on the loan, which poses the same risk if there is a substantial decline of the common share price after such a release.
- The ability of the borrower to obtain a release of pledged shares may reduce the ability of the trust to repay the loan
- Should the Borrower repay the entire loan, the Province will have a positive fiscal impact as the interest rate being charged on the loan is at the Province's cost of funds, plus a margin of 15 basis points
- However, should the Borrower be unable to repay the loan in its entirety, and if the value of the pledged shares decreases, the Province could have a negative fiscal impact for the balance of the loan plus any interest owed to the Province less the amount the Province recovers from a sale of the pledged shares

3. Loan and Share Purchase Agreements

Second Share Purchase Agreements – Summary

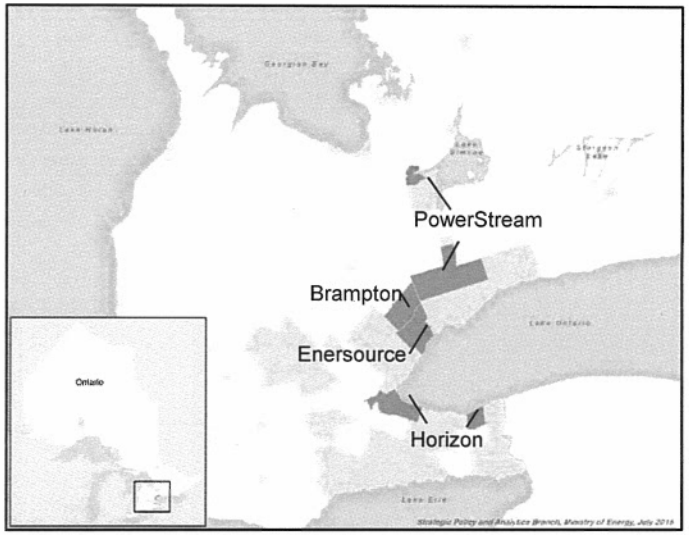
- In addition, the PWU and the SEP will each set up a separate trust to purchase up to $5M and $5M shares respectively, with funds provided by each union
- Hydro One common shares will be sold to the Second PWU and Society Trusts with funds provided by the PWU and Society at the IPO purchase price and will not be disposed of by the Second PWU and Society Trusts until at least one year after the date of the IPO
- The shares will be sold under a securities law exemption and therefore will not be qualified under a prospectus

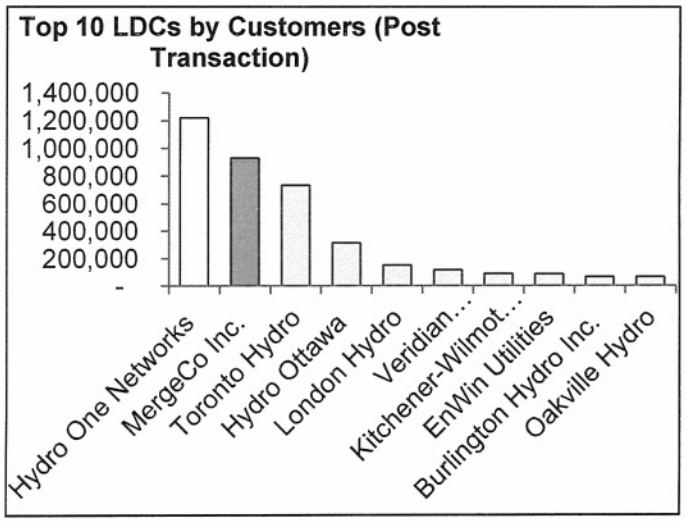
4. Hydro One Brampton Merger

4. Hydro One Brampton Merger

Transaction Overview

- As approved in April 2015 and announced in the 2015 Ontario Budget, the Province is moving forward with the sale of Hydro One Brampton to a merged entity of three other large utilities – PowerStream, Enersource and Horizon
- The proposed Hydro One Brampton transaction represents a major step forward in catalyzing LDC consolidation in Ontario by creating
  - The second-largest LDC in the Province by customer size; and
  - A platform for further LDC consolidation in the Greater Toronto and Hamilton Area (GTHA)
- The public interest benefits of greater LDC consolidation include:
  - Improved efficiency and ratepayer savings
  - Strengthened service and reliability
  - Modernization of the distribution system

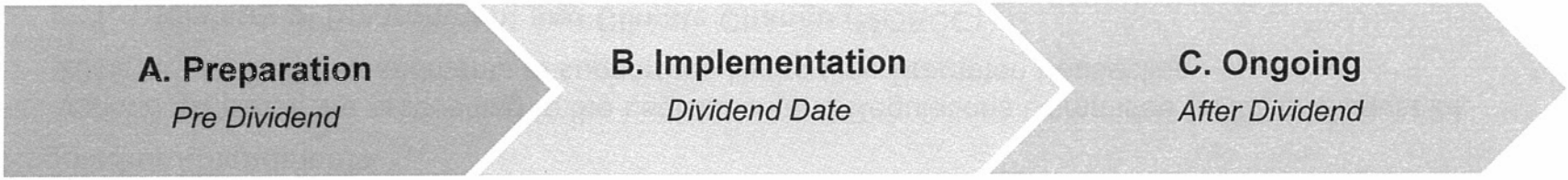




4. Hydro One Brampton Merger

Process Overview

- As part of the Hydro One Brampton transaction the Province will cause Hydro One Inc. to dividend the shares of Hydro One Brampton to the Province and the Province will direct those shares to Brampton Distribution Holdco Inc., a holding company created for that purpose. The Province will sell Hydro One Brampton to PowerStream, Enersource and Horizon
  - It is expected that the Province would only hold Brampton for a short period (e.g. 9 months), between the time of the transfer and the close of the Brampton transaction
  - Brampton will continue normal, uninterrupted operations through closing of the merger
- The following slides run through the steps required to facilitate this transaction



4. Hydro One Brampton Merger

A. Preparation: Regulation Amendments & Financing

Regulation Amendments

- Various ministries are proceeding to the Legislation and Regulations Committee (LRC) on August 24, 2015 for regulation amendments to support the Hydro One Brampton transaction

1. **Ministry of Environment and Climate Change (MOECC)**
   - Amendment to exempt the acquisition and sale of Brampton shares by the Province from an environmental assessment
2. **Ministry of Energy (Energy)**
   - A regulation to exempt the acquisition of Brampton shares from OEBA s. 81 transfer notice requirements due to Holdco being affiliated with OPG.
3. **Ministry of Finance (MOF)***
   - Regulatory amendments to define Brampton as an MEU for tax purposes in order to ensure it stays in the PILs regime during Province's ownership
4. **Ministry of Government and Consumer Services (MGCS)**
   - Regulatory amendment is required to ensure Brampton remains exempt from MFIPPA while held by the Province

Financing

- In addition, the Ministry of Finance is seeking approval of an Order in Council to expand the objects of the Ontario Electricity Financial Corporation to include providing financial assistance to a distributor owned or controlled, directly or indirectly, by the Province, so that would be in a position to provide financial support to Brampton Distribution Holdco Inc. if necessary, as a contingency measure

*Will not proceed to LRC as Minister of Finance regulation

4. Hydro One Brampton Merger

B. Implementation: Mechanics of Transfer

Create Holding Company

- As part of the Hydro One Brampton transaction the Ministry of Energy is seeking approval for the creation of Brampton Distribution Holdco Inc. under the Business Corporations Act (Ontario). Legislative authority to do this is provided in section 50.1 of the Electricity Act, 1998 (Ontario)
  - An Order in Council is required to create the Holding Company together with OBCA incorporation documents

Hydro One Brampton Transferred to the Province/Brampton Distribution Holdco Inc.

- Hydro One Brampton shares will be transferred from Hydro One to Brampton Distribution Holdco Inc. through a dividend in-kind on August 31, 2015, by way of a Shareholder Declaration from the Minister of Energy, acting as sole shareholder.
  - The Shareholder Declaration will direct Hydro One to pay the dividend by transferring Hydro One Brampton to Brampton Distribution Holdco Inc. Hydro One Brampton will continue to operate as a going concern while owned
- Having, Hydro One Brampton held by Brampton Distribution Holdco Inc. mirrors the administrative holding of Hydro One Networks.
  - This allows for maximum flexibility in operations without reducing government's ability to transact

4. Hydro One Brampton Merger

C. Ongoing: Governance Post IPO

Appointment of Brampton Distribution Holdco Inc. and Hydro One Brampton Board of Directors

- Minister of Energy would appoint Brampton Distribution Holdco Inc. Board of Directors by way of a Shareholder Resolution
  - The Brampton Distribution Holdco Inc. board would mirror the HOBNI board
- Given the Province is only expected to hold Brampton for a short period, Carmine Marcello, will continue in addition to two new members: the Deputy Minister of Energy, Serge Imbrogno, and the CFO of Infrastructure Ontario (IO), Krishnan Iyer

Governance

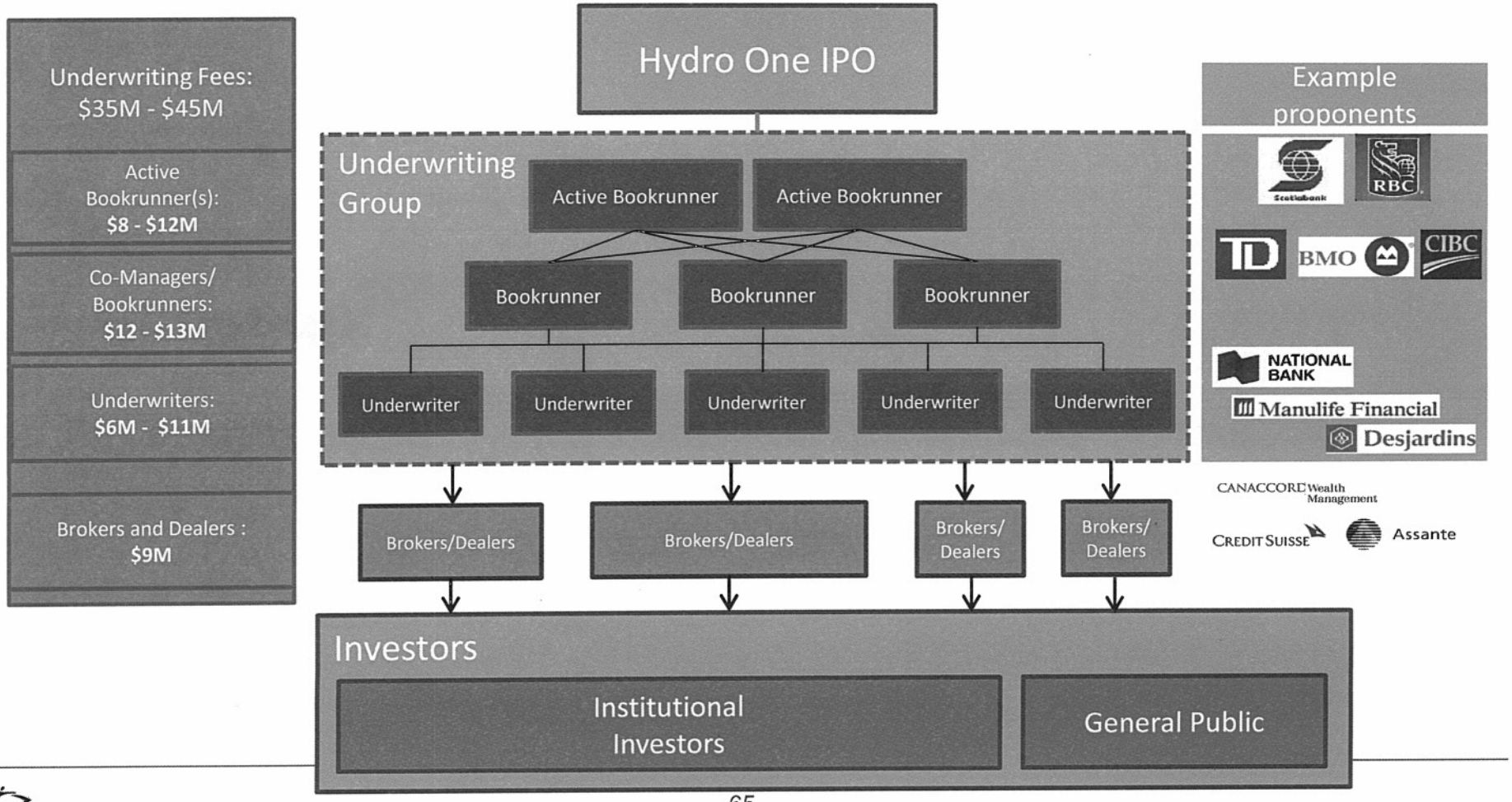
- Operation of Brampton Distribution Holdco Inc. in the interim period between the dividend and the merger may require shareholder declarations and resolutions signed by the Minister of Energy which would provide clarity to the directors about the shareholder's expectations regarding the transaction and the operation of the business
- The Province will also put in place a Memorandum of Agreement (MOA) between Brampton Distribution Holdco Inc. and the Province on governance, mandate, reporting requirements, performance expectations, and communications of the company while held by the Province

Appendix

Bookrunner and Underwriting Agreements – Fee Structure

Bookrunner and Underwriting Agreements – Fee Structure

- Province and the successful bookrunner(s) will enter into an agreement that will detail out the parameters of the engagement, including the fee structure and work fees



Comparison of Fees with Other Transactions

Bookrunner and Underwriting Agreements – Comparison of Fees with Other Transactions

- The following table provides an overview of fees paid for large public sector company initial public offerings, and equivalent rate if applied to the Hydro One IPO:

IPO	Year	Fee Structure	Equivalent cost if applied to proposed 2015 Hydro One IPO
Air Canada	1988	5%	~$100M
Potash Corp.	1989	5%	~$100M
Petro-Canada	1991	5%	~$100M
Nova Scotia Power	1992	3.9% on instalment receipts, 4.5% on common shares	~$78M to ~$90M
CN Rail	1995	4%	~$80M
Manitoba Telecom Services	1996	3.9% on instalment receipts, 4.5% on common shares	~$78M to ~$90M
Information Services Corp. (Sask.)	2013	6%	~$120M
Hydro One (2015, proposed)	**2015**	**Less than 2% (1% for institutional investors, 3% for retail investors)**	**~$35M to ~$45M**

Hydro One Board of Directors

- On July 17, 2015 the Province appointed a new board of directors for Hydro One Inc.
  - David Denison (returning Director and Chair), former President and CEO of the Canada Pension Plan Investment Board
  - Ian Bourne, Chair of Ballard Power Systems Inc.
  - Charles Brindamour, CEO of Intact Financial Corporation
  - Marc Caira, Vice Chairman of the Board of Directors of Restaurant Brands International Inc.
  - Christie Clark, former CEO and Senior Partner of PricewaterhouseCoopers LLP
  - George Cooke, (returning Director), Chair of the Board of Directors of the OMERS Administration Corporation
  - M. Marianne Harris, former Managing Director at Bank of America Merrill Lynch Canada
  - James Hinds, former Chair of the Independent Electricity System Operator (IESO) Board
  - Kathryn Jackson, Senior Vice President and Chief Technology Officer of RTI International Metals, Inc.
  - Roberta Jamieson, President and CEO of Indspire, former Board Member of Ontario Power Generation, and former Ombudsman of Ontario
  - Frances Lankin, a member of the Board of Directors with the Ontario Lottery and Gaming Corporation; former President and CEO of United Way Toronto; and former member of the Premier 's Advisory Council on Government Assets
  - Carmine Marcello, (returning Director), President and CEO of Hydro One Inc.
  - Philip Orsino, former President and CEO of JELD-WEN Inc.
  - Jane Peverett, former President and CEO of British Columbia Transmission Corporation
  - Gale Rubenstein, (returning Director), Partner at the law firm Goodmans LLP

Brampton Steps

Pre-August 31st

- Regulation amendments to facilitate HOBNI dividend
  - Energy, MOF, MGCS and MOECC are bringing forward regulation amendments to support the dividend to the Province
- Formation of Brampton Distribution Holdco Inc.
  - Order in Council authorizing the formation of Brampton Distribution Holdco Inc.
  - Articles of Incorporation filed
  - Determine Brampton Distribution Holdco Inc. board of directors. Directors will be:
    - Carmine Marcello, President and CEO, Hydro One Inc.
    - Serge Imbrogno, Deputy Minister, Ministry of Energy
    - Krishnan Iyer, Executive Vice President and Chief Financial Officer, Infrastructure Ontario
- Funding of HOBNI by HOI
  - HOI will subscribe for additional share of HOBNI to provide funds sufficient to bring HOBNI's working capital to $27M (D/R required) and to allow HOBNI to repay short-term debt owed to HOI.
- HOBNI repays short term debt owed to HOI
  - HOBNI repays the balance of the intercompany short term loan facility owed to HOI

Brampton Steps

August 31st

- FMV of debt receivable by HOI from HOBNI
  - RBC/Scotiabank provide a letter that outlines the FMV of the long-term debt receivable by HOI from HOBNI
- Line of Credit for HOBNI
  - HOBNI obtains a line of credit to finance its working capital needs while the company is owned by the Province (Declaration/Resolution required)
- HOBNI insurance
  - HOBNI obtains stand-alone insurance effective August 31, 2015 (Declaration/Resolution required)
- Transitional Services
  - Service agreements will be in place between HOBNI and HOI to ensure HOBNI will have the right to such services while HOBNI is owned by the Province/Brampton Distribution Holdco Inc. (Corporate functions, use of smart meter system)

Brampton Steps

August 31st (Cont'd)

- Spin-off of HOBNI by HOI
  - HOI transfers all of the issued and outstanding shares of HOBNI to Province as a dividend in kind (Declaration/Resolution required)
  - Province directs HOBNI shares to Brampton Holdco
- Return of Stated Capital by HOI to Province
  - HOI transfers the entire amount of long-term debt receivable from HOBNI to Province as a return of stated capital of the common shares of HOI (Declaration/Resolution required)
  - Province directs long-term debt receivable to Brampton
- IESO prudential support
  - HOBNI obtains a $5-10M letter of credit to provide prudential guarantee to the IESO (D/R required) (this may not be complete until shortly after August 31, 2015.)
- HOBNI Credit Rating
  - HOBNI obtains credit rating for the company (this may not be complete until shortly after August 31, 2015.)
- Run-Off Insurance
  - Brampton Holdco to cause HOBNI to obtain run-off D&O insurance in the event of any disposition of HOBNI (or alternatively to require that any acquirer of HOBNI purchase run-off D&O insurance (Declaration/Resolution required)
- Memorandum of Agreement
  - Province and Brampton Holdco to enter into a Memorandum of Agreement with respect to the governance, mandate, reporting requirements, performance expectations and communications

Brampton Steps

Post August 31st

- Settlement of HOBNI long-term liability to Province
  - HOBNI will need to settle the long-term liability owed to Brampton Holdco by issuing an appropriate amount of common shares from treasury
  - This will occur just prior to the transfer of HOBNI to Mergeco
- Transfer of HOBNI to Mergeco
  - The Province will cause Brampton Holdco to transfer the shares of HOBNI to the Mergeco formed by the amalgamation of Powerstream, Enersource and Horizon

Comparison of 2002 and Proposed 2015 Transactions

Key Terms	Proposed Hydro One 2002 Transaction	Hydro One IPO (2015)
Transaction	• Up to 100 percent of Hydro One shares up for sale in initial announcement (subsequently amended) • Common shares were to be offered in Canada, United States, and internationally • Shares were to be listed on TSX and NYSE	• Up to 60 percent in multiple tranches, initial IPO of approximately 15 percent • Common shares would be offered publicly in Canada and by private placement in the United States • Listing potentially on TSX and other Canadian exchanges • Divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Ownership	• No single entity could own or control more than 15 percent of voting shares	• Maximum of 10 percent ownership limitation for any individual or group with exception for the Province
Protections	• Province was to be issued one special share to allow to veto any proposal to: – amend the articles of Hydro One to relocate its head office outside of Ontario; – change the jurisdiction of Hydro One's incorporation; or – alter rights attached to the special share	• A combination of protections in legislation and, through a governance agreement between the Province and Hydro One, to: – Maintain head office, CEO, and substantially all strategic decision-making management and functions in Ontario – Restrict sale of substantially all assets regulated by the OEB (transmission or distribution assets) – Return to legislature prior to selling > 60 percent ownership – Province has the right to acquire up to 40 percent of each share issue – Province nominates up to 40 percent of directors pro rata to its interest – Company must be listed on TSX
Regulatory Oversight	• Rate regulated. Transmission and distribution rates are set by the Ontario Energy Board	• Regulated, and strengthen OEB to ensure regulatory rigour
Use of Proceeds	• Province was to receive all proceeds from the sale of the common shares • Proceeds to be used to pay down the legacy debt and liabilities of former Ontario Hydro	• Province will receive all the proceeds from the sale • Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Taxes	• Province agreed up front to the amount of the PILs payable by Hydro ($440M), and a capital contribution of $290M • Hydro One agreed not to request to have the PILs amount included in rate recovery	• Upfront payment of departure tax paid to OEFC in year one of offering • Amounts equivalent to departure taxes to be re-injected into Hydro One as additional equity

Comparison to Highway 407

Key Item	Highway 407	Hydro One IPO (2015)
Ownership	• Sold 99-year lease to a foreign syndicate	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Self-contained toll-road that would be easier to operate, more limited opportunities for efficiencies	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Proceeds were not maximized as significant value was lost due to the structure of the transaction which allowed the foreign syndicate to raise rates and there was no mechanism in place to share any additional revenues with the Province • Used for general government purposes	• Proceeds would be maximized based on structure of the proposed IPO. A partial share offering allows the market to establish value through improved company performance, which would benefit the Province in subsequent share offerings. The Province would continue to benefit from the net income of the company and it would also be able to monitor the market and determine the optimal timing for the secondary share offerings • Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• Province receives no on-going revenues	• Province would continue to receive a portion of dividends and improved earnings as a 40 percent owner
Restrictions	• Responsibility for completing partial extension and highway usage minimums	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• No price setting ability in place; unregulated	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to Nova Scotia Power Company (NSPC)

Key Item	Nova Scotia Power Company	Hydro One IPO (2015)
Ownership	• Complete government divestment in 1992	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Vertically Integrated electrical utility • Privatization designed to reduce systems costs	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Total proceeds of $851M, of which: – Majority of proceeds used to pay down outstanding debt – Portion of proceeds to the Nova Scotia government for general purposes	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• None	• Province would continue to receive a portion of dividends and improved earnings as a 40 percent owner
Restrictions	• No single entity may own more than 15 percent • Non-residents may not beneficially own or control more than 25 percent of the votes attached to all outstanding voting shares • Non-resident votes at shareholder meetings pro-rated to not exceed 25 percent of total vote	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Rate regulated with a permitted ROE range	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to Petro-Canada

Key Item	Petro Canada	Hydro One IPO (2015)
Ownership	• Government of Canada sold ~20 percent in 1991 • Remaining ~80 percent sold in tranches between 1992 and 2004	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Integrated oil and gas company	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• To reduce the deficit • CAN ~$550M initial offering and ~$5.7B total between 1992 and 2004	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• Revenues continued during sell-down period; none beyond 2004	• Province would continue to receive a portion of dividends and improved earnings as a 40 percent owner
Restrictions	• Cap at 20 percent of shares per shareholder • Head office to remain in Calgary, Alberta • A provision prevented selling, transferring or otherwise disposing of substantial assets	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• No economic regulation	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to CN Rail

Key Item	CN Rail	Hydro One IPO (2015)
Ownership	• Government of Canada sold 95 percent of Equity in 1995 • Remaining 5 percent sold at a later date	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Rail and transportation conglomerate	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• (CAD ~$2B) used to pay down CN debt and remaining for general government purposes	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• No revenues once final 5 percent was divested	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• No individual or corporate shareholder may own more than 15 percent of CN • The company's headquarters must remain in Montreal	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Largely unregulated. Price regulation effects setting railway revenue caps for moving western grain and interswitching rates	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to Air Canada

Key Item	Air Canada	Hydro One IPO (2015)
Ownership	• Government of Canada sold 100 percent of its interest in two stages (57 percent 1988 and 43 percent 1989)	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Commercial airline	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• The government used the proceeds from the IPO to re-capitalize the airline	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• None beyond 1989	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• Maintain select Canadian operational and overhaul centres • No shareholder may own more than 10 percent of the airline's stock • Foreign ownership capped at 25 percent • Air Canada's corporate headquarters to remain in Montreal • Service must be provided in both official languages • A majority of the board of directors must be residents of Canada	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• No economic regulator	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to Royal Mail

Key Item	Royal Mail	Hydro One IPO (2015)
Ownership	• Sale by British government closed on October 2013 • The British government retains a 30 percent stake	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• National mail and parcel delivery service	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Proceeds equivalent to ~$3.4 B (in 2015 Canadian dollars) • In UK transactions proceeds usually go to general revenues	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• Continue to receive benefit equivalent to the government's 30 percent ownership stake	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• No ownership conditions • Shareholder governance provisions: limited voting rights if more than 30 percent government ownership maintained • One board seat if ownership above 10 percent	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Ofcom (the regulator) removed price controls on the majority of Royal Mail's products and services. The proportion of Royal Mail revenues under direct price regulation is now approximately 5 percent	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to UK Regional Electricity Companies (RECs)

Key Item	UK Regional Electricity Companies (RECs)	Hydro One IPO (2015)
Ownership	• British government sold 100 percent of its equity interest in 1999	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Electrical distribution companies, geographical monopoly franchises	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Proceeds equivalent to $18.7B (in 2015 Canadian dollars) • In UK transactions proceeds usually go to general revenues	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• None	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• No one was able to own more than 15 percent for the first 5 years	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Regulated by Ofgem using a price cap methodology comprised of the retail price index, adjusted to reflect the potential for additional productivity	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to United Energy (Australian Distribution Privatization)

Key Item	United Energy	Hydro One IPO (2015)
Ownership	• Australian government sold its 100 percent equity interest in the company in 1995	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• Electrical Distribution Company	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Proceeds equivalent to ~$2.2 B (in 2015 Canadian dollars) • Debt reduction and investments	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• None	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• Retail tariffs were frozen until 1996 (i.e. less than a year)	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Economically regulated	• Regulated, and strengthen OEB to ensure regulatory rigour

Comparison to Railtrack

Key Item	Railtrack	Hydro One IPO (2015)
Ownership	• British government sold 100 percent of its equity interest in 1996	• Province to sell up to 60 percent in multiple tranches, with an initial round of approximately15 percent. Also, divesting the of Province's interest in Hydro One Brampton for cash or a 17 percent interest in the merged entity
Assets / Business Model	• England national rail track and signaling infrastructure	• Complex, integrated, and multi-faceted business with considerable opportunity to drive operating efficiencies from private ownership
Proceeds & Use (if known)	• Proceeds equivalent to ~$5.6 B (in 2015 Canadian dollars)	• Dedicated to Trillium Trust and investments in public transit, transportation and other infrastructure
Ongoing revenues	• None	• Province would continue to receive on-going dividends and a portion of improved earnings as a 40 percent owner
Restrictions	• No Restrictions on Ownership	• Must be listed on TSX; 10 percent ownership cap (excluding Province); Ontario Grid control, head office and substantially all of strategic decision-making management and functions to stay in Ontario; cannot sell substantially all OEB regulated transmission or distribution assets; 25-30 percent retail investor access for IPO; potential conditions regarding offshoring; Province has the right to acquire up to 40 percent of each share issue; Province nominates up to 40 percent of directors pro rata to its interest;
Regulatory	• Railtrack's main source of income was access charges levied on passenger and freight traffic. The regulator established access charges through negotiation with the industry	• Regulated, and strengthen OEB to ensure regulatory rigour

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS Ontario considers it desirable to enter into a loan agreement with a single purpose trust of which the Power Workers' Union, Canadian Union of Public Employees, Local 1000-CLC is the sole beneficiary (the "PWU Trust");

AND WHEREAS the purpose of the loan to the PWU Trust is to finance the purchase of common shares in Hydro One Inc. or a corporation established pursuant to section 50.1 of the *Electricity Act, 1998* to hold the common shares of Hydro One Inc. as well as to finance certain costs and expenses;

THEREFORE, pursuant to the Royal Prerogative;

1. The Minister of Finance is hereby authorized, on behalf of Her Majesty the Queen in right of Ontario ("Ontario"),

   (a) to enter into a loan agreement with the PWU Trust to lend a maximum principal amount of $75 million for a term not to exceed 15 years; and

   (b) to enter into and execute such other agreements, arrangements or documents as the Minister of Finance may consider necessary or desirable in connection with the loan agreement,

   all upon such other terms and conditions as the Minister of Finance may determine.

2. Each of the Deputy Minister of Finance and the Chief Executive Officer of the Ontario Financing Authority (each an "authorized officer") are hereby authorized, on behalf of Ontario, to enter into any agreements, arrangements or documents as such authorized officer may consider necessary or desirable in connection with the loan agreement, all upon such terms and conditions as such authorized officer may determine.

Recommended _____
Minister of Energy

Concurred _____
Chair of Cabinet

Approved
and Ordered _____
Date

_____
Lieutenant Governor

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS Ontario considers it desirable to enter into a loan agreement with a single purpose trust of which the Power Workers' Union, Canadian Union of Public Employees, Local 1000-CLC is the sole beneficiary (the "PWU Trust");

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   (b) to enter into and execute such other agreements, arrangements or documents as the Minister of Finance may consider necessary or desirable in connection with the loan agreement,

   all upon such other terms and conditions as the Minister of Finance may determine.

2. Each of the Deputy Minister of Finance and the Chief Executive Officer of the Ontario Financing Authority (each an "authorized officer") are hereby authorized, on behalf of Ontario, to enter into any agreements, arrangements or documents as such authorized officer may consider necessary or desirable in connection with the loan agreement, all upon such terms and conditions as such authorized officer may determine.

Recommended _____
Minister of Energy

Concurred _____
Chair of Cabinet

Approved
and Ordered _____
Date

_____
Lieutenant Governor

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS pursuant to subsection 50.1(1) of the *Electricity Act, 1998* (the "Act"), the Lieutenant Governor in Council may cause corporations to be established or arrangements to be made for the purposes of acquiring, holding, disposing of or otherwise dealing with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc. or any of its subsidiaries;

AND WHEREAS the Minister of Energy may enter into any agreement or arrangement that the Minister considers necessary or incidental to the exercise of a power under subsection 50.1(1);

AND WHEREAS it is desirable that a corporation be established pursuant to section 50.1 of the Act to acquire, hold, dispose of or otherwise deal with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc., in addition to any other purpose.

NOW THEREFORE:

The Minister of Energy is hereby ordered pursuant to section 50.1 of the Act to take all steps necessary for a corporation to be incorporated under the *Business Corporations Act* (Ontario).

Recommended: _____
Minister of Energy

Concurred: _____
Chair of Cabinet

Approved and Ordered: _____
Date

_____
Lieutenant Governor

O.C./Décret

Authority Verified
Compétence vérifiée _____

Please print name
Nom en letters
moulées s.v.p. _____

Telephone
Téléphone _____

Recommended by the
Management Board of Cabinet on
Recommandé par le Conseil de
gestion du gouvernement le _____

Secretary
Secrétaire _____

O.C./Décret

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS pursuant to subsection 50.1(1) of the *Electricity Act, 1998* (the "Act"), the Lieutenant Governor in Council may cause corporations to be established or arrangements to be made for the purposes of acquiring, holding, disposing of or otherwise dealing with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc. or any of its subsidiaries;

AND WHEREAS the Minister of Energy may enter into any agreement or arrangement that the Minister considers necessary or incidental to the exercise of a power under subsection 50.1(1);

AND WHEREAS it is desirable that a corporation be established pursuant to section 50.1 of the Act to acquire, hold, dispose of or otherwise deal with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc., in addition to any other purpose.

NOW THEREFORE:

The Minister of Energy is hereby ordered pursuant to section 50.1 of the Act to take all steps necessary for a corporation to be incorporated under the *Business Corporations Act* (Ontario).

Recommended: _____
Minister of Energy

Concurred: _____
Chair of Cabinet

Approved and Ordered: _____
Date

_____
Lieutenant Governor

O.C./Décret

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Secretary
Secrétaire _____

O.C./Décret

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS pursuant to subsection 50.1(1) of the *Electricity Act, 1998* (the "Act"), the Lieutenant Governor in Council may cause corporations to be established or arrangements to be made for the purposes of acquiring, holding, disposing of or otherwise dealing with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc. or any of its subsidiaries;

AND WHEREAS the Minister of Energy may enter into any agreement or arrangement that the Minister considers necessary or incidental to the exercise of a power under subsection 50.1(1);

AND WHEREAS it is desirable that a corporation be established pursuant to section 50.1 of the Act to acquire, hold, dispose of or otherwise deal with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Brampton Networks Inc., in addition to any other purpose.

NOW THEREFORE:

The Minister of Energy is hereby ordered pursuant to section 50.1 of the Act to take all steps necessary for a corporation to be incorporated under the *Business Corporations Act* (Ontario).

Recommended: _____
Minister of Energy

Concurred: _____
Chair of Cabinet

Approved and Ordered: _____
Date

_____
Lieutenant Governor

O.C./Décret

Authority Verified
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gestion du gouvernement le _____

Secretary
Secrétaire _____

O.C./Décret

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le con- sentement du Conseil des ministres, décrète ce qui suit:

WHEREAS pursuant to subsection 50.1(1) of the *Electricity Act, 1998* (the "Act"), the Lieutenant Governor in Council may cause corporations to be established or arrangements to be made for the purposes of acquiring, holding, disposing of or otherwise dealing with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Inc. or any of its subsidiaries;

AND WHEREAS the Minister of Energy may enter into any agreement or arrangement that the Minister considers necessary or incidental to the exercise of a power under subsection 50.1(1);

AND WHEREAS it is desirable that a corporation be established pursuant to section 50.1 of the Act to acquire, hold, dispose of or otherwise deal with, directly or indirectly, the securities, assets, liabilities, rights, obligations, revenues and income of Hydro One Brampton Networks Inc., in addition to any other purpose.

NOW THEREFORE:

The Minister of Energy is hereby ordered pursuant to section 50.1 of the Act to take all steps necessary for a corporation to be incorporated under the *Business Corporations Act* (Ontario).

Recommended: _____
Minister of Energy

Concurred: _____
Chair of Cabinet

Approved and Ordered: _____
Date

_____
Lieutenant Governor

O.C./Décret

Authority Verified
Compétence vérifiée _____

Please print name
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Management Board of Cabinet on
Recommandé par le Conseil de
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Secretary
Secrétaire _____

O.C./Décret