

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

This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws. Accordingly, these securities may not be offered or sold or delivered within the United States of America or to, or for the account or benefit of, a U.S. Person (as defined in Regulation S under the U.S. Securities Act), except in transactions exempt from registration under the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See “Plan of Distribution”.**

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Innergex Renewable Energy Inc. at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4, telephone (450) 928-2550 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

July 31, 2015



### INNERGEX RENEWABLE ENERGY INC.

**\$100,000,000**

#### **4.25% Convertible Unsecured Subordinated Debentures**

This short form prospectus qualifies the distribution of \$100,000,000 aggregate principal amount of 4.25% convertible unsecured subordinated debentures (the “**Debentures**”) of Innergex Renewable Energy Inc. (the “**Corporation**”) at a price of \$1,000 (the “**Offering Price**”) per \$1,000 principal amount of Debentures (the “**Offering**”).

The Debentures bear interest at an annual rate of 4.25% payable semi-annually, not in advance, on February 28 and August 31 in each year commencing on February 28, 2016 (an “**Interest Payment Date**”). The Debentures will mature on August 31, 2020. Further particulars concerning the attributes of the Debentures are set out under “*Description of the Debentures*”.

The terms and Offering Price of the Debentures were determined by negotiation between the Corporation and National Bank Financial Inc. (“**NBF**”), TD Securities Inc. (“**TD**”), BMO Nesbitt Burns Inc. (“**BMO**”), Desjardins Securities Inc. (“**Desjardins**”), CIBC World Markets Inc. (“**CIBC**”), Scotia Capital Inc. (“**Scotia**”) and Industrial Alliance Securities Inc. (collectively, the “**Underwriters**”). See “*Plan of Distribution*”.

**NBF, TD, BMO, Desjardins, CIBC and Scotia are wholly-owned indirect subsidiaries of Canadian financial institutions that are members of a syndicate of lenders that have made credit facilities available to the Corporation. Consequently, the Corporation may be considered a connected issuer of NBF, TD, BMO, Desjardins, CIBC and Scotia under applicable securities laws in certain Canadian provinces. See “*Relationship Between the Corporation and Certain Persons*”.**

### **Debenture Conversion Privilege**

Each Debenture will be convertible into common shares of the Corporation (“**Common Shares**”) at the option of the holder at any time prior to the close of business until the earlier of the Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Debentures at a conversion price of \$15.00 per Common Share (the “**Conversion Price**”), being a conversion rate of approximately 66.6667 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date on their Debentures to, but not including, the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under “*Description of the Debentures - Conversion Privilege*”.

The Debentures may not be redeemed by the Corporation before August 31, 2018 except in certain limited circumstances following a Change of Control. On or after August 31, 2018 and before August 31, 2019, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60-day and not less than 30-day prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”) for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after August 31, 2019 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60-day and not less than 30-day prior notice at a price equal to their principal amount plus accrued and unpaid interest. Subject to required regulatory approval and provided that there is not a current Event of Default, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity, in whole or in part, through the issuance of freely tradeable Common Shares upon at least 40-day and not more than 60-day prior notice, by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures to be redeemed or which have matured by 95% of the Current Market Price on the date of redemption or maturity as applicable. Any accrued or unpaid interest will be paid in cash. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under “*Description of the Debentures*”.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “*Risk Factors*”.**

The TSX has conditionally approved the listing of the Debentures to be issued under the Offering and the Common Shares issuable on conversion, maturity or redemption. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before October 18, 2015. The Common Shares into which the Debentures are convertible are listed and posted for trading on the TSX under the symbol “INE”. On July 30, 2015, the closing price of a Common Share on the TSX was \$10.69.

**Price: \$1,000 per Debenture**

	Price to the Public	Underwriters' Fee <sup>(1)</sup>	Net Proceeds <sup>(2)</sup>
Per Debenture .....	\$ 1,000	\$ 40	\$ 960
Total Debentures <sup>(3)</sup> .....	\$100,000,000	\$4,000,000	\$96,000,000

Notes:

- (1) The Underwriters' fee with respect to the Debentures is payable in full upon closing of the Offering and represents 4% of the Offering Price of the Debentures.
- (2) After deducting the Underwriters' fee but before deducting the expenses of the Offering, which are estimated to be approximately \$600,000.
- (3) The Corporation has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time until 30 days following the Closing Date (as defined below), to purchase at the Offering Price additional Debentures to cover over-allotments, if any, and for market stabilization purposes. The number of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the number of Debentures issued pursuant to the Offering. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Corporation will be \$115,000,000, \$4,600,000 and \$110,400,000, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures offered upon the exercise of such option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires such Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	\$15,000,000	Exercisable for a period of 30 days following closing of the Offering	\$1,000 per Debenture

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by McCarthy Tétrault LLP, as counsel to the Corporation, and Borden Ladner Gervais LLP, as counsel to the Underwriters. The Debentures (other than any Debentures issuable pursuant to the exercise of the Over-Allotment Option) shall be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for this short form prospectus.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail on the open market. Such transaction, if commenced, may be discontinued at any time. The Underwriters propose to offer the Debentures initially at the Offering Price. **After the Underwriters have made reasonable efforts to sell all of the Debentures by this short form prospectus at such price, the Offering Price may be decreased, and further changed from time to time, to an amount not greater than the Offering Price. However, in no event will the Corporation receive less than net proceeds of \$960 per Debenture. See "*Plan of Distribution*".**

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be issued in "book-entry only" form through the facilities of CDS Clearing and Depository Services Inc. ("**CDS**"). Except as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. The closing of the Offering is expected to occur on or about August 10, 2015, or such other date as the Corporation and the Underwriters may agree but in any event not later than September 11, 2015 (the "**Closing Date**").

The head and registered office of the Corporation is located at 1111 Saint-Charles Street West, East Tower, Suite 1255, Longueuil, Québec, J4K 5G4.

**The earnings coverage ratios for the Corporation for the year ended December 31, 2014 and for the twelve-month period ended March 31, 2015 are less than one-to-one. See “*Earnings Coverage Ratio*” and “*Use of Proceeds*”.**

**An investment in the Debentures involves certain risks that are described in the “*Risk Factors*” section of, and elsewhere in, this short form prospectus, including in the documents incorporated herein by reference and should be considered by any prospective purchaser of the Debentures.**

Except as otherwise indicated, all dollar amounts in this short form prospectus are expressed in Canadian dollars and references to \$ are to Canadian dollars.

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## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this Short-Form Prospectus, including documents incorporated by reference herein, contains forward-looking information within the meaning of applicable securities laws (“**Forward-Looking Information**”). Forward-Looking Information can generally be identified by the use of words such as “approximately”, “may”, “will”, “could”, “believes”, “expects”, “intends”, “should”, “plans”, “potential”, “project”, “anticipates”, “estimates”, “scheduled” or “forecasts”, or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results, as of the date of this short form prospectus or the documents incorporated by reference herein, as applicable.

### **Future-Oriented Financial Information**

Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, such as (i) use of proceeds of the Offering, funds available under the revolving term credit facility, and the redemption of the 5.75% Convertible Debentures, to inform readers of the potential financial impact of the Offering and the notice of redemption of the 5.75% Convertible Debentures and (ii) expected production, projected revenues, projected Adjusted EBITDA, projected Free Cash Flow, estimated project costs and expected project financing, to inform readers of the potential financial impact of expected results, of the expected commissioning of five projects for which PPAs have been secured and which are under construction (the “**Development Projects**”), of the Corporation’s ability to sustain current dividends and dividend increases and of its ability to fund its growth. Such information may not be appropriate for other purposes.

### **Assumptions**

Forward-Looking Information is based on certain key assumptions made by the Corporation, including, without restriction, those concerning hydrology, wind regimes and solar irradiation, performance of the Corporation’s 33 facilities that are in commercial operation (the “**Operating Facilities**”), financial market conditions and the Corporation’s success in developing new facilities.

### **Risks and Uncertainties**

Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the Corporation’s Annual Information Form in the “Risk Factors” section and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value; its ability to raise additional capital and the state of the capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; variability of installation performance and related penalties; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; the ability to secure new power purchase agreements or to renew any power purchase agreement; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; changes in general economic conditions; regulatory and political risks; the ability to secure appropriate land; reliance on power purchase agreements; availability and reliability of transmission systems; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind and sun resources and associated electricity production; dam failure; natural disasters and force majeure; foreign exchange fluctuations; foreign market growth and development; cyber security; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; potential undisclosed liabilities associated with acquisitions; integration of the facilities and projects acquired and to be acquired; failure to realize the anticipated benefits of acquisitions; reliance on shared transmission and interconnection infrastructure and the fact that revenues from the Miller Creek facility will vary based on the spot price of electricity.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information since no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is made as at the date of this Short-Form Prospectus and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by legislation.

The following table outlines the Forward-Looking Information contained in this Short-Form Prospectus and in the documents incorporated by reference herein which the Corporation considers important, to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

<b>Principal Assumptions</b>	<b>Principal Risks and Uncertainties</b>
<b>Expected production</b>	
<p>For each facility, the Corporation determines a long-term average annual level of electricity production (“LTA”) over the expected life of the facility, based on engineers’ studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors taken into account include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated long-term average. On a consolidated basis, the Corporation estimates the LTA by adding together the expected LTA of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Improper assessment of water, wind and sun resources and associated electricity production</p> <p>Variability in hydrology, wind regimes and solar irradiation</p> <p>Equipment failure or unexpected operations and maintenance activity</p> <p>Natural disasters</p>
<b>Projected revenues</b>	
<p>For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the power purchase agreement secured with a public utility or other creditworthy counterparty. These agreements stipulate a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery, except for the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices, and the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. On a consolidated basis, the Corporation estimates annual revenues by adding together the projected revenues of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Production levels below the LTA caused mainly by the risks and uncertainties mentioned above</p> <p>Unexpected seasonal variability in the production and delivery of electricity</p> <p>Lower-than-expected inflation rate</p>

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**Projected Adjusted EBITDA**

For each facility, the Corporation estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes and royalties; these are predictable and relatively fixed, varying mainly with inflation (except for maintenance expenditures). On a consolidated basis, the Company estimates annual Adjusted EBITDA by adding together the projected operating earnings of all the facilities in operation that it consolidates, from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Corporation chooses to develop and the resources required to do so (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).

Variability of facility performance and related penalties  
Changes to water and land rental expenses  
Unexpected maintenance expenditures  
Changes in the purchase price of electricity upon renewal of a PPA

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**Estimated project costs, expected obtention of permits, start of construction, work conducted and start of commercial operation for development projects or prospective projects**

For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs provided by the engineering, procurement and construction contractor retained for the project.

The Corporation provides indications regarding scheduling and construction progress for its Development Projects and indications regarding its prospective projects, based on its experience as a developer.

Performance of counterparties, such as suppliers or contractors  
Delays and cost overruns in the design and construction of projects  
Obtainment of permits  
Equipment supply  
Interest rate fluctuations and financing risk  
Relationships with stakeholders  
Regulatory and political risks  
Higher-than-expected inflation

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**Projected Free Cash Flow**

The Corporation estimates Free Cash Flow as projected cash flow from operations before changes in non-cash operating working capital items, less estimated maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their power purchase agreement. It also adjusts for other elements, which represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity, such as adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to fix the interest rate on project-level debt.

Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses  
Projects costs above expectations caused mainly by the performance of counterparties and delays and cost overruns in the design and construction of projects  
Regulatory and political risk  
Interest rate fluctuations and financing risk  
Financial leverage and restrictive covenants governing current and future indebtedness  
Unexpected maintenance capital expenditures

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**Expected project financing or refinancing of Operating Facilities**

The Corporation provides indications of its intention to secure non-recourse project-level debt financing for its Development Projects and

Interest rate fluctuations and financing risk  
Financial leverage and restrictive covenants governing current and future



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to refinance its Operating Facilities when the term of the existing indebtedness project-level debt ends, based on the expected costs and revenues of each project, the expected remaining PPA term, an initial leverage ratio of approximately 75%-85% and the Corporation's extensive experience in project financing and knowledge of capital markets.

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**Intention to Submit Projects Under Requests for Proposals**

The Corporation provides indications of its intention to submit projects under requests for proposals based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these requests for proposals.

Regulatory and political risks  
Ability of the Corporation to execute its strategy for building shareholder value  
Ability to secure new PPAs

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**Intention to gain a foothold in target markets internationally**

The Corporation provides indications of its intention to establish a presence in target markets internationally in the coming years, based on its growth strategy.

Regulatory and political risks  
Ability of the Corporation to execute its strategy for building shareholder value  
Ability to secure new PPAs  
Foreign exchange fluctuations

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**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents of the Corporation, which have been filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Corporation is a reporting issuer, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

1. the annual information form of the Corporation, dated March 27, 2015, for the year ended December 31, 2014;
2. the audited consolidated financial statements of the Corporation for the years ended December 31, 2014 and December 31, 2013 together with the notes thereto and the auditor's report thereon;
3. the management's discussion and analysis of the Corporation, dated February 24, 2015, for the years ended December 31, 2014 and December 31, 2013;
4. the unaudited condensed interim consolidated financial statements of the Corporation for the three months ended March 31, 2015 and 2014 and the notes thereto;
5. the management's discussion and analysis dated May 13, 2015, for the three months ended March 31, 2015 and 2014;
6. the management information circular of the Corporation dated April 8, 2015 in respect of the annual meeting of shareholders of the Corporation held on May 13, 2015;
7. the material change report dated July 21, 2015 relating to the announcement of the Offering and the redemption of the 5.75% Debentures; and
8. the template version of the indicative term sheet dated July 20, 2015 filed on SEDAR in connection with the Offering (the "**Term Sheet**").

Any documents of the type described in Section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* filed by the Corporation with a securities commission or similar authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

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

## **MARKETING MATERIALS**

The Term Sheet is not part of this short form prospectus to the extent that its content has been modified or superseded by a statement contained in this short form prospectus. Any “template version” of “marketing materials” (as such terms are defined in National Instrument 41-101 – General Prospectus Requirements) filed on SEDAR after the date of this short form prospectus and before the termination of the distribution under the Offering will be deemed to be incorporated into this short form prospectus.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Borden Ladner Gervais LLP, counsel to the Underwriters, subject to the qualifications and assumptions discussed under the heading “*Certain Canadian Federal Income Tax Considerations*”, provided the Debentures and the Common Shares are listed on a designated stock exchange (which currently includes the TSX), the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures will, on the date of closing of the Offering, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm’s length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSA**”).

Notwithstanding the foregoing, if the Debentures or the Common Shares are “prohibited investments” for the purposes of a TFSA, RRSP or RRIF, a holder of such TFSA or an annuitant under such RRSP or RRIF will be subject to a penalty tax as set out in the Tax Act. Debentures and Common Shares will generally be “prohibited investments” if such holder or annuitant does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the holder of a TFSA has a “significant interest” (within the meaning of the Tax Act) in the Corporation. Holders of a TFSA should consult their own tax advisors in this regard.

## **THE CORPORATION**

The Corporation is a leading Canadian independent developer, owner and operator of run-of-river hydroelectric facilities, wind energy projects and solar photovoltaic farms. The Corporation has been active in the renewable power industry since 1990 and has on its own or through various ventures developed and brought to commercial operation 13 hydroelectric facilities, six wind farms and one solar photovoltaic farm, has acquired and refurbished three hydroelectric facilities and has acquired ten hydroelectric power facilities representing a gross aggregate installed capacity of 1,194.3 megawatt (“**MW**”) (net 687.2 MW). The Corporation currently owns, together with its partners, six wind farms, 26 hydroelectric facilities and one solar photovoltaic farm in operation with respective net aggregate installed capacities of 236.3 MW (gross 614.1 MW), 417.7 MW (gross 547.0 MW) and 33.2 MW (gross 33.2 MW) and five development projects for which PPAs have been secured and are under construction with an aggregate net installed capacity of 207.9 MW (gross 318.5 MW) and which are expected to reach the commercial operation stage between 2015 and 2016. The Corporation has also net interests in approximately 3,190 MW (gross 3,330 MW) of prospective power generating projects, which are in various stages of development.

## RECENT DEVELOPMENTS

### Big Silver Creek Project Financing

On June 22, 2015, the Corporation announced the closing of a \$197.2 million non-recourse construction and term project financing for the 40.6 MW Big Silver Creek run-of-river hydroelectric project located in British Columbia.

### Forest Fires in British Columbia

The Boulder Creek Project and Upper Lillooet Project in which the Corporation has a net interest of 66⅔% (gross aggregate installed capacity of 106.4 MW, net 71.1 MW), are both under construction and are situated in a region in British Columbia that, as a result of forest fires, continues to be subject to an evacuation order which was issued by the Squamish-Lillooet Regional District on July 4, 2015. It appears the forest fire was ignited by lightning on June 30, 2015 and has now spread to over 5,300 hectares. This is one of many forest fires currently active in British Columbia, as a result of unusually hot and dry weather conditions in British Columbia. Since the evacuation, the Corporation and its contractors have had limited access to the site and have been unable to make a full assessment of the potential damages to the Upper Lillooet Project and Boulder Creek Project. Nonetheless, apart from a portion of the transmission line, the forest fires do not appear to have reached the major infrastructure area of the Upper Lillooet Project and Boulder Creek Project.

Construction of these projects began in 2013 and was, prior to this evacuation, expected to reach commercial operation in November or December 2016. The Boulder Creek Project and Upper Lillooet Project have secured a non-recourse construction and term project financing of \$491.6 million in aggregate.

The Corporation believes these events, including the impact of the fires on the projects, constitute force majeure events under the applicable PPAs for these projects, which would delay the mandatory commencement of delivery dates under the PPAs up to the maximum periods provided therein. The Corporation has customary natural disaster insurance policies in place which it believes would cover damages and loss of revenues caused by these events. The Corporation is monitoring the situation closely and is cooperating with the BC Wildfire Service, as well as the Squamish Lillooet Regional District. See “*Risk Factors – Risks Relating to the Corporation – Forest Fires Affecting the Upper Lillooet and Boulder Creek Projects*”.

## USE OF PROCEEDS

The net proceeds of the Offering (excluding any exercise of the Over-Allotment Option), after payment of the Underwriters’ Fee of \$4,000,000 and expenses of the Offering estimated to be \$600,000, will be approximately \$95,400,000. If the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after payment of the Underwriters’ Fee of \$4,600,000 and expenses of the Offering estimated to be \$600,000, will be approximately \$109,800,000.

The Corporation intends to use the net proceeds of the Offering to initially repay indebtedness under the Credit Facility, which will then be available to be drawn, as required, to finance the redemption of the 5.75% Debentures, and to fund future acquisitions, development projects and/or general corporate purposes. As of July 29, 2015, the Corporation was indebted under the Credit Facility (including letters of credit) in an amount of approximately \$297.4 million. See “*Relationship between the Corporation and Certain Persons*”. Other than as described in this short form prospectus or in the documents incorporated by reference herein, the Corporation does not have any specific material binding commitments with respect to business acquisitions or development projects. The Corporation is examining a variety of growth opportunities. The Corporation has not yet decided if it will proceed with any specific project.

The indebtedness being repaid under the Credit Facility was principally incurred on the Corporation’s operating loan facility and construction facility for general corporate purposes.

## DESCRIPTION OF THE DEBENTURES

The Debentures will be issued under and pursuant to an indenture (the “**Indenture**”) between the Corporation and Computershare Trust Company of Canada (the “**Debenture Trustee**”). The following description of the Debentures is a summary of their material attributes and characteristics, which does not purport to be complete and is qualified in its entirety by reference to the Indenture. The following summary uses words and terms which will be defined in the Indenture. For full particulars, reference is made to the Indenture.

### General

The amount of the Debentures issued under the Offering will be limited to the aggregate principal amount of \$100,000,000 (plus any Debentures issued upon exercise of the Over-Allotment Option). The Corporation may, however, from time to time, without the consent of the holders of the outstanding debentures of the Corporation, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures will mature on the Maturity Date.

At the closing of the Offering, the Debentures will be available for delivery in book-entry form only through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “*Description of the Debentures - Book Entry, Delivery and Form*”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 4.25% per annum, which will be payable semi-annually on the 28<sup>th</sup> day of February and the 31<sup>st</sup> day of August in each year, commencing on February 28, 2016, computed on the basis of a 365-day year. The first payment will represent accrued interest for the period from the closing of the Offering up to, but excluding February 28, 2016. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. Subject to applicable laws and regulatory approval, the Corporation shall have the option to pay such interest by delivering a number of Common Shares to the Debenture Trustee for sale, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest owed from the proceeds of the sale of the requisite number of Common Shares by the Debenture Trustee. See “*Description of the Debentures - Interest Payment Election*” below.

The Indenture will not contain a requirement for the Corporation to increase the amount of interest or other payments to holders of Debentures should the Corporation become required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts. See “*Risk Factors - Risks Relating to the Offering - Possibility of Withheld Amounts*”.

The principal on the Debentures will be payable in lawful money of Canada or, at the option of the Corporation and subject to applicable laws and regulatory approval, by delivery of Common Shares to satisfy in whole or in part its obligation to repay principal under the Debentures as further described under “*Description of the Debentures- Payment upon Redemption or Maturity*” and “*Description of the Debentures - Redemption and Purchase*”.

The Debentures will be direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under “*Description of the Debentures - Subordination*”.

The Indenture will not restrict the Corporation from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Montréal, Québec.

The Debentures will mature on August 31, 2020.

## Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid, non-assessable and freely tradable Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$15.00 per Common Share being a ratio of approximately 66.6667 Common Shares per \$1,000 principal amount of Debentures. Holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect thereof for the period from the latest Interest Payment Date up to, but excluding, the date of conversion.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares (or securities convertible into or exchangeable for Common Shares) to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or a distribution or otherwise, other than an issue of Common Shares to holders of Common Shares who have elected to receive distributions in the form of Common Shares in lieu of receiving cash distributions or cash dividends paid in the ordinary course; (c) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them for not more than 45 days to acquire Common Shares (or securities convertible into or exchangeable for Common Shares) at less than 95% of the then Current Market Price of the Common Shares; and (d) the payment of a cash dividend or other distribution to all or substantially all holders of outstanding Common Shares in excess of \$0.72 per Common Share per calendar year. There will be no adjustment of the Conversion Price in respect of certain events described in (b), (c) or (d) above if, subject to the prior written consent of the TSX, the holders of the Debentures are allowed to participate as though they had converted their Debentures before the applicable record date or effective date, as the case may be. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. No adjustment to the Conversion Price will be made in the context of the repurchase of Common Shares by the Corporation under a normal course issuer bid, substantial issuer bid or transaction of a similar nature.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or in the case of any consolidation, amalgamation or merger of the Corporation with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege will be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding up, be entitled to receive the number of Common Shares or other securities on the exercise of the conversion right such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible before the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding up.

Provided the Common Shares are then listed on the TSX, the term "**Current Market Price**" will be defined in the Indenture to mean the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

No fractional Common Shares will be issued on any conversion of the Debentures, but in lieu thereof the Corporation shall satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole share. Upon conversion, the Corporation may offer and the converting holder may agree to the delivery of cash for all or a portion of the Debentures surrendered in lieu of Common Shares.

## Redemption and Purchase

The Debentures may not be redeemed by the Corporation before August 31, 2018 except in certain limited circumstances following a Change of Control. See "*Description of the Debentures - Change of Control*" below. On or after August 31, 2018 and prior to August 31, 2019, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60-day and not less than 30-day prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price

of the Common Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after August 31, 2019 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60-day and not less than 30-day prior notice at a price equal to their principal amount plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

The Corporation or any of its affiliates will have the right to purchase Debentures in the market, by tender, or by private contract, provided however that, if an Event of Default has occurred and is continuing, the Corporation or any of its affiliates will not have the right to purchase Debentures by private contract.

### **Payment upon Redemption or Maturity**

On the date the Debentures are redeemed (the “**Redemption Date**”) or on the Maturity Date, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to any required regulatory approvals and provided that an Event of Default has not occurred and is not continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering freely tradeable Common Shares to the holders of the Debentures. The number of Common Shares to be issued will be determined by dividing the principal amount of the Debentures which are to be redeemed or have matured by 95% of the Current Market Price of the Common Shares on the Redemption Date or the Maturity Date, as the case may be.

No fractional Common Shares will be issued to holders of Debentures, but in lieu thereof, the Corporation shall satisfy such fractional interest by a cash payment equal to the relevant fraction of the Current Market Price of a whole share.

### **Cancellation**

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

### **Subordination**

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the prior payment in full of all existing and future Senior Indebtedness of the Corporation. “Senior Indebtedness” of the Corporation will be defined in the Indenture and will include: (a) indebtedness of the Corporation for borrowed money; (b) obligations of the Corporation evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Corporation arising pursuant or in relation to bankers’ acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation representing the deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; and (i) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same. The Debentures will be effectively structurally subordinate to claims of creditors (including trade creditors and holders of subordinated debt) of the Corporation subsidiaries, and will rank *pari passu* to the 5.75% Debentures and all future subordinated unsecured indebtedness of the Corporation.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation or reorganization or other similar proceedings relating to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures at any time when a default or an Event of Default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of certain Senior Indebtedness and the notice of such default or Event of Default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Corporation, unless such notice has been revoked, such default or Event of Default has been cured or the Senior Indebtedness has been repaid or satisfied in full as defined in the Indenture.

The Debenture Trustee and the Corporation will also be authorized (and obligated upon any request from certain holders of Senior Indebtedness) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

#### **Change of Control**

Upon the occurrence of a Change of Control of the Corporation, the Corporation will be required to make an offer to purchase the Debentures at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon. A Change of Control will be deemed to occur upon the ownership of, or voting control or direction over, 50% or more of the Common Shares, or the sale of all or substantially all of the Corporation's consolidated assets, provided that a sale of less than 50% of the fair market value of the consolidated assets of the Corporation shall be deemed not to constitute a sale of all or substantially all of its consolidated assets.

The Indenture will contain notification provisions to the effect that the Corporation will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the Debentureholders a notice of the Change of Control.

The Corporation will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

If a Change of Control occurs in which 10% or more of the consideration for the voting securities in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange (a "**Cash Change of Control**"), then, subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Cash Change of Control becomes effective (the "**Cash Change of Control Effective Date**") and ending 30 days after the notice of the Change of Control is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the "**Cash Change of Control Conversion Price**") determined as follows:

The Cash Change of Control Conversion Price will be calculated as follows:

$CCOCCP = ECP / (1 + (CP \times (c/t)))$  where:

CCOCCP is the Cash Change of Control Conversion Price;

ECP = the Conversion Price in effect on the Cash Change of Control Effective Date;

CP = 39.7%;

c = the number of days including the Cash Change of Control Effective Date to but excluding August 31, 2019; and

t = the number of days from and including the Closing Date to but excluding August 31, 2019.

In the event that the Cash Change of Control Conversion Price calculated in accordance with the above formula is less than any regulatory permitted discount to market price, the Cash Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

### **Interest Payment Election**

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the “**Interest Obligation**”), on an Interest Payment Date, (i) in cash; (ii) by delivering sufficient Common Shares to the Debenture Trustee, for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares (the “**Common Share Interest Payment Election**”); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the Corporation making a Common Share Interest Payment Election, the Debenture Trustee shall (i) accept delivery from the Corporation of Common Shares; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Corporation; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the Corporation, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from the Corporation) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Corporation in respect of the Interest Obligation.

Neither the Corporation’s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

### **Modification**

The rights of the Debentureholders as well as any other series of debentures that have been or may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. In



certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of each particularly affected series of debentures, as the case may be. Under the Indenture, certain amendments may be made to the Indenture without the consent of the Debentureholders.

### **Events of Default**

The Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable.

### **Offers for Debentures**

The Indenture will contain provisions to the effect that if an offer is made for Debentures which would be a take-over bid for Debentures within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*, if the Debentures were considered equity securities, and not less than 90% of the Debentures issued under the Indenture (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by those who did not accept the offer on the terms offered by the offeror.

### **Book Entry, Delivery and Form**

The Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). On the Closing Date, the Debenture Trustee will cause the Debentures to be issued to CDS and registered in the name of its nominee.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “**Beneficial Owner**”), will not be entitled to receive a certificate for Debentures or for the Common Shares issuable on the conversion of the Debentures. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners thereof in fully registered and certificate form (the “**Debenture Certificates**”) only if: (a) required to do so by applicable Law; (b) the book-entry only system ceases to exist; (c) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Corporation is unable to locate a qualified successor; (d) the Corporation, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default, Participants acting on behalf of Beneficial Owners of Debentures representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best

interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners of Debentures, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the Debentures, and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debentureholders under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a Redemption Date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares if applicable, and interest due, at maturity or on a Redemption Date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

The Corporation will not assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the Corporation to CDS.

### **Reports to Holders**

The Corporation shall file with the Debenture Trustee, within 15 days after the filing thereof with the securities commission or securities regulatory authority in the provinces in which the Corporation is a reporting issuer (the “**Securities Commissions**”), copies of the Corporation’s information, documents and other reports that the Corporation is required to file with the Securities Commissions and deliver to shareholders. Notwithstanding that the Corporation may not be required to remain subject to the reporting requirements of the Securities Commissions, the Corporation shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year (or such later date as may be permitted by the Autorité des marchés financiers), the annual financial statements of the Corporation, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year (or such later date as may be permitted by the Autorité des marchés financiers), interim financial statements of the Corporation which shall, at a minimum, contain such information as is required to be provided in annual filings and quarterly reports under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not the Corporation has any of its securities so listed. Each of such reports will be prepared in accordance with Canadian disclosure requirements for public companies. The Corporation will provide copies of such information, documents and reports to holders of Debentures upon request.

### **Governing Law**

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the laws of the Province of Québec and the federal laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

### **PRIOR SALES**

During the 12-month period before the date of this short form prospectus, the Corporation issued 93,707 Common Shares as a result of conversions of the 5.75% Debentures at a conversion price between \$10.7105 and \$11.8325 per share, 45,000 Common Shares as a result of the exercise of stock options at an exercise price of

\$8.75 per share and 985,678 Common Shares under the Corporation's dividend reinvestment plan at an issue price between \$9.90 and \$11.12. The Corporation granted a total of 397,000 options to purchase Common Shares at an exercise price of \$10.96 under the Corporation's stock option plan.

### **EARNINGS COVERAGE RATIO**

The Corporation's earnings (loss) attributable to owners of the parent before interest and income tax expense for the year ended December 31, 2014, and the twelve-month period ended March 31, 2015 were \$4,812,000 and (\$252,000) respectively.

**The earnings coverage ratios for the Corporation for the year ended December 31, 2014 and for the twelve-month period ended March 31, 2015 are less than one-to-one.**

The Corporation's interest and dividends on preferred shares requirements, before giving effect to the issuance of the Debentures for the year ended December 31, 2014 and the twelve-month period ended March 31, 2015 amount to \$117,121,000 and \$116,308,000, respectively, for earnings to interest coverage ratios of 0.04 times and 0.00 times, respectively. The Corporation's pro forma interest requirements, after giving effect to the issuance of the Debentures and the partial repayment of the Credit Facility, for the year ended December 31, 2014 and the twelve-month period ended March 31, 2015 amounted to \$119,939,000 and \$119,126,000 respectively, for earnings to interest coverage ratios of 0.04 times and 0.00 times, respectively. Since the Debentures are convertible into Common Shares, they are accounted for, in part, as equity. The liability portion of the Debentures is accreted up to the face value of the Debentures during the period they are outstanding, resulting in non-cash interest charges. The aforementioned ratios have been calculated including these non-cash interest charges.

Based on earnings coverage ratio as prescribed by the Securities Commissions, the additional earnings, required to bring the ratios to one-to-one are \$115,127,000 at December 31, 2014 and \$119,378,000 at March 31, 2015.

The earnings coverage ratios set forth above have been prepared in accordance with Canadian disclosure requirements, using financial information that was prepared in accordance with IFRS. The earnings assume that there are no-additional earnings derived from the net proceeds of the Debentures. Earnings coverage is equal to net earnings (loss) attributable to owners of the parent before interest expenses on all long-term debt and income tax divided by interest expenses on all long-term debt and dividends on preferred shares.

If cash flows from operating activities before changes in non-cash working capital items, interest paid and income tax paid were used instead of net earnings, the coverage ratios for the year ended December 31, 2014 and for the twelve-month period ended March 31, 2015 would have been 1.53 and 1.12 times the Corporation's aggregate interest expenses on all long-term debt and dividend on preferred shares for the periods, respectively. The Corporation believes that the adjusted cash flow coverage ratios provide important additional information for the investors with respect to the Corporation's ability to service its debt and pay dividends on its Preferred Shares because they provide a measure that excludes certain elements that have no impact on cash on hand and on cash available for distribution to holders of the Debenture. In particular, the cash flow coverage ratios exclude unrealized gains or losses on derivative financial instruments, depreciation and amortization as well as deferred income tax. See the unaudited consolidated financial statements of the Corporation as at and for the three months ended March 31, 2015 and the audited financial statements for the year ended December 31, 2014, together with the notes thereto and the management's discussion and analysis in respect thereof for a description of these elements that impact the profitability of the Corporation but have no impact on cash on hand.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at the date indicated before and after giving effect to the Offering and the repayment of indebtedness under the Credit Facility. This table should be read in conjunction with the financial statements of the Corporation incorporated by reference into this short form prospectus.

<i>(\$000s)</i>	<u>As at March 31, 2015</u>	<u>As at March 31, 2015 after giving effect to the Offering<sup>(1),(2)</sup></u>
<b>Indebtedness:</b>		
Long-term debt <sup>(3)</sup> .....	1,806,814	1,711,414
Liability portion of convertible debentures .....	79,165	172,015
<b>Shareholders' equity:</b>		
Common share capital .....	66,473	66,473
Contributed surplus from reduction of capital on common shares .....	784,482	784,482
Preferred shares .....	131,069	131,069
Share-based payment .....	2,035	2,035
Equity portion of convertible debentures .....	1,319	3,869
Deficit .....	(512,925)	(512,925)
Accumulated other comprehensive (loss) income .....	(1,350)	(1,350)
<b>Equity attributable to owners:</b>	<u>471,103</u>	<u>473,653</u>
<b>Non-controlling interests .....</b>	<u>33,496</u>	<u>33,496</u>
 Total shareholders' equity .....	 504,599	 507,149

Notes:

- (1) Not including the proceeds from the sale of the Debentures pursuant to the Over-Allotment Option.
- (2) For the purposes of this table, "after giving effect to the Offering" includes the repayment of indebtedness under the Credit Facility.
- (3) Includes current portion and bank loan.

## TRADING PRICE AND VOLUME

The Common Shares are listed and traded on the TSX. The trading symbol for the Common Shares is "INE". The following table sets forth the trading history of the Common Shares for each month in the twelve month period ended June 30, 2015 and for the 30-day period ended July 30, 2015.

	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
<u>2014</u>			
July .....	10.97	10.48	1,926,045
August .....	10.89	10.16	1,870,487
September .....	10.75	10.14	3,387,818
October .....	11.04	9.81	2,027,247

	<b>High</b> <b>(\$)</b>	<b>Low</b> <b>(\$)</b>	<b>Volume</b>
November .....	11.25	10.58	1,968,113
December .....	11.54	10.88	3,050,229
<u>2015</u>			
January .....	12.10	11.04	2,989,087
February .....	12.36	11.51	2,320,278
March.....	11.97	11.10	2,944,373
April.....	11.49	11.04	2,194,677
May.....	11.42	10.85	2,624,827
June.....	12.25	10.58	2,559,039
July 1 – 30 .....	10.82	10.34	2,161,751

On July 17, 2015, the last trading day on which the Common Shares traded prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was \$10.70. On July 30, 2015, the closing price of the Common Shares on the TSX was \$10.69.

The 5.75% Debentures are listed and traded on the TSX. The trading symbol for the 5.75% Debentures is “INE.DB”. The following table sets forth the trading history of the 5.75% Debentures for each month in the twelve month period ended June 30, 2015 and for the 30-day period ended July 30, 2015.

	<b>High</b> <b>(\$)</b>	<b>Low</b> <b>(\$)</b>	<b>Volume</b>
<u>2014</u>			
July .....	107.50	106.00	1,145,000
August .....	107.23	105.51	314,000
September .....	106.01	103.86	488,000
October .....	107.99	101.75	969,000
November .....	107.70	103.50	1,591,000
December .....	109.83	105.00	647,000
<u>2015</u>			
January .....	114.19	107.35	2,074,000
February .....	116.10	108.88	7,291,000
March.....	112.68	106.00	1,272,000
April.....	108.84	106.00	2,695,500
May.....	107.10	104.50	1,965,000
June.....	110.00	104.50	1,404,500
July 1 –30 .....	104.88	100.51	6,143,000

On July 17, 2015, the last trading day on which the 5.75% Debentures traded prior to the announcement of the Offering and the redemption of the 5.75% Debentures, the closing price of the 5.75% Debentures on the TSX was \$104.00. On July 30, 2015, the closing price of the 5.75% Debentures on the TSX was \$101.50.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Underwriting Agreement dated July 24, 2015 (the “**Underwriting Agreement**”), the Corporation has agreed to sell and the Underwriters have agreed to purchase, jointly and not solidarily (the equivalent of severally in common law), on the anticipated closing date, being August 10, 2015 or such other date as may be agreed upon by the Corporation and the Underwriters, an aggregate \$100,000,000 principal amount of Debentures, payable in cash to the Corporation against delivery by the Corporation of the Debentures.

The obligations of the Underwriters under the Underwriting Agreement are joint and may be terminated at their discretion upon the occurrence of certain stated events as set out in the Underwriting Agreement. Such events include (i) any inquiry, action, suit, investigation or other proceeding commenced, announced or threatened or any order issued or any change of law, or interpretation or administration thereof, which, in the reasonable opinion of the Underwriter, operates to prevent or restrict the trading in, or which adversely impacts the distribution or the marketability of, the Debentures and/or the Common Shares or any of them; (ii) there occurs any material change or there arises or is discovered any previously undisclosed or new material fact in the business, affairs, operations, assets, liabilities, capital, prospects or ownership of the Corporation and its subsidiaries, taken as a whole, howsoever caused, which, in the reasonable opinion of the Underwriter, could reasonably be expected to result in the purchasers of a material number of Debentures exercising their rights under securities laws to withdraw from or rescind their purchase thereof or sue for damages in respect thereof or which has or could reasonably be expected to have a significant adverse effect on the market price or value of the Debentures and/or the Common Shares or any of them; and (iii) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence which, in the reasonable opinion of such Underwriter, materially adversely affects or may materially adversely affect the financial markets in Canada, or operations or affairs of the Corporation and its Subsidiaries, taken as a whole, or which has or could reasonably be expected to have a significant adverse effect on the market price or value of the Debentures and/or the Common Shares or any of them.

If an Underwriter fails to purchase the Debentures which it has agreed to purchase and the aggregate number of Debentures failed to be purchased exceeds 11.5% of the Debentures, the other Underwriters may, but are not obligated to, purchase such Debentures. The Underwriters are, however, obligated to take up and pay for all Debentures if any Debentures are purchased under the Underwriting Agreement.

The Debentures are being offered to the public in all of the provinces of Canada. The terms and conditions were determined by negotiation between the Corporation and the Underwriters. The Underwriting Agreement provides that the Corporation will pay the Underwriters’ fee of \$40.00 per \$1,000 principal amount of Debentures in consideration for their services in connection with the Offering.

The Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional \$15,000,000 principal amount of the Debentures at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Underwriters at any one time on or prior to the 30<sup>th</sup> day after the closing of the Offering, for the purposes of covering the Underwriters’ over-allotment position, if any. If the Over-Allotment Option is exercised in full, the “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds” (before deducting expenses of the Offering) will be \$115,000,000, \$4,600,000 and \$110,400,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Debentures pursuant to the exercise of the Over-Allotment Option. A purchaser who accepts Debentures forming part of the Over-Allotment Option acquires such Debentures under the short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Debentures to be issued under the Offering and the Common Shares issuable on conversion, maturity or redemption of the Debentures. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before October 18, 2015.

The Underwriters propose to offer the Debentures to the public initially at the Offering Price and in the principal amount, respectively, specified on the cover page of this short form prospectus. After the Underwriters

have made a reasonable effort to sell all of the Debentures at the Offering Price and in the principal amount, respectively, specified on the cover page, the Offering Price for the Debentures may be decreased and may be further changed from time to time to amounts not greater than those set forth on the cover page. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Debentures is less than the amount paid by the Underwriters to the Corporation.

Pursuant to rules and regulations of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc. relating to market stabilization and passive market making activities and bids or purchases made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first mentioned exception, in connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be interrupted or discontinued at any time.

The Corporation has agreed with the Underwriters, subject to certain exceptions, not to issue, offer, sell, contract to sell or otherwise issue any Common Shares or any securities convertible into or exercisable or exchangeable for any Common Shares or financial instruments convertible into or exercisable or exchangeable for Common Shares, or announce any intention to effect any of the foregoing, for a period of 90 days from the date of closing without the prior written consent of NBF, on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Underwriters have agreed that they will not offer, sell or deliver Debentures within the United States, except pursuant to certain transactions that are exempt from registration under the U.S. Securities Act. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Securities within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

In connection with the Offering, certain of the Underwriters or securities dealers may distribute this short form prospectus electronically.

The Debentures will be issued in book-entry only form and must be purchased or transferred through a CDS participant. All rights of holders of Debentures must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Debentures holds such Debentures. See *"Description of the Debentures - Book Entry, Delivery and Form"*.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation and Borden Ladner Gervais LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder of Debentures who acquires Debentures pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the **"Securities"**) as capital property, is not exempt from tax under Part I of the Tax Act and deals at arm's length and is not affiliated with the Corporation or the Underwriters (a **"Holder"**). Generally, the Securities will be considered to be capital property to a Holder provided that the Holder does not hold the Securities in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who are residents of Canada and

who might not otherwise be considered to hold their Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder: (i) that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) that is a “specified financial institution” (as defined in the Tax Act); (iii) an interest in which is a “tax shelter investment” (as defined in the Tax Act); (iv) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (v) who has entered into or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to any Securities; (vi) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Debentures or Common Shares, controlled by a non-resident corporation for purposes of section 212.3 of the Tax Act or (vii) who receives dividends on the Common Shares under or as part of a “dividend rental arrangement” (as defined in the Tax Act) of the Holder. Any such Holder should consult its own tax advisor with respect to an investment in the Securities.

This summary is based on the provisions of the Tax Act in force at the date hereof, all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), counsel's understanding of the administrative practices of the Canada Revenue Agency (the “**CRA**”) made publicly available prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in administrative policies or assessing practices, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to particular holder of Securities, and no representations with respect to the income tax consequences to any holder or prospective holder are made. This summary is not exhaustive of all Canadian federal income tax consequences. Consequently, holders and prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring the Securities pursuant to the Offering, having regard to their particular circumstances.

### **Holders Resident in Canada**

The following discussion applies to a Holder of Securities who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada (a “**Resident Holder**”).

#### *Taxation of Interest on Debentures*

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues or that is deemed to accrue to it to the end of the taxation year or that has become receivable or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an “investment contract” (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to any “anniversary day” (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Resident Holder 's income for that year or a preceding year.



A Resident Holder of Debenture that throughout the relevant taxation year is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay the refundable tax of 6 2/3% on its “aggregate investment income”, which is defined in the Tax Act to include interest income.

As described above under the heading “*Description of the Debentures - Interest Payment Election*”, the Corporation may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to receive a cash payment equal to the interest owed to the Resident Holder from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation were to pay interest in this manner, the Canadian federal income tax consequences to a Resident Holder would generally be the same as those described above.

#### *Exercise of the Conversion Privilege*

Generally, a Resident Holder who converts a Debenture into Common Shares (or Common Share and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not recognize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

Upon a conversion of a Debenture, interest accrued thereon will be included in computing the income of the Resident Holder as described above under “*Taxation of Interest on Debentures*”.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the Resident Holder’s adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

#### *Disposition of Debentures*

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity, purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Resident Holder’s right of conversion described above, will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder’s income as interest, are greater (or less) than the aggregate of the Resident Holder’s adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Taxation of Capital Gains and Capital Losses*”.

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder (but not including by the conversion of a Debenture into Common Shares pursuant to the Resident Holder’s conversion privilege as described above), the Resident Holder’s proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except consideration received in satisfaction of accrued interest). The Resident Holder’s cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon will be included in computing the income of the Resident Holder as described above under “*Taxation of Interest on Debentures*”.

### *Receipt of Dividends on Common Shares*

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on such Resident Holder's Common Shares.

In the case of a Resident Holder who is an individual (other than certain trusts), such taxable dividends will be subject to the normal gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations under the Tax Act. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. The Tax Act imposes a 33 1/3% refundable tax on dividends received (or deemed to be received) in a taxation year by a corporation that is a "private corporation" or "subject corporation" (as defined in the Tax Act) for purposes of Part IV of the Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income for the year.

### *Disposition of Common Shares*

A disposition or deemed disposition of a Common Share by a Resident Holder (except to the Corporation) will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable cost of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

### *Taxation of Capital Gains and Capital Losses*

Generally, one half of any capital gain realized by a Resident Holder (a "**taxable capital gain**") in a taxation year will be included in the Resident Holder's income for the year, and one half of any capital loss realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Holder on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or trust.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay, in addition to tax otherwise payable under the Tax Act, a 6 2/3% refundable tax on certain investment income including taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

## **Holders Not Resident in Canada**

The following discussion applies to a Holder of Securities who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention: (i) is neither a resident of Canada nor deemed to be resident in Canada, (ii) does not use or hold, is not deemed to use or hold and will not use or hold, the Securities in carrying on a business in Canada, (iii) is entitled to receive all payments (including interest and principal) in respect of a Debenture, and (iv) deals at arm's length with any transferee that is resident in Canada and to whom the Holder disposes of a Debenture (a "**Non-Resident Holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act) or a Non-Resident or a Non-Resident Holder that is at any time a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) in relation to the Corporation.

Generally, for this purpose, a "specified shareholder" is a person that owns, has a right to acquire or is otherwise deemed to own, either alone or together with persons with whom such person does not deal at arm's length for purposes of the Tax Act, shares of the capital stock of the Corporation that either: (i) give the holders of such shares 25% or more of the votes that could be cast at an annual meeting of the shareholders of the Corporation; or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of capital stock of the Corporation. Such Non-Resident Holders should consult their own tax advisors.

### *Taxation of Interest on Debentures*

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures. However, a Non-Resident Holder who transfers or is deemed to transfer a Debenture to a holder resident or deemed to be resident in Canada for purposes of the Tax Act should consult its own tax advisor for advice with respect to the tax consequences of such transfer.

### *Exercise of Conversion Privilege*

The conversion of a Debenture into Common Shares only on the exercise of a conversion privilege by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident Holder will not recognize a gain (or loss) on such conversion.

### *Disposition of Debentures and Common Shares*

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture or a Common Shares, as the case may be, unless the Non-Resident Holder's Debenture or Common Shares are, or are deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. Provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition, the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period preceding the disposition, the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder, partnerships in which the Non-Resident Holder or any such person holds an interest directly by or through one or more partnerships, or the Non-Resident Holder together with all such persons and partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation and more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) "Canadian resource properties"; (iii) "timber resource properties"; and (iv) options in respect of, or interests in or rights in property described in (i) to (iii) (as such terms are defined in the Tax Act). A Non-Resident Holder owning Debentures or Common Shares that may constitute taxable Canadian property should consult its tax advisors prior to a disposition thereof.

### *Receipt of Dividends on Common Shares*

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention between Canada and the Non-Resident Holder's country of residence. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the *Canada-United States Income Tax Convention (1980)*, as amended (the "**Convention**"), and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15% or, if the Non-Resident is a corporation that owns at least 10% of the voting stock of the corporation, to 5%. Not all persons who are resident of the United States for purposes of the Convention will qualify for the benefits of the Convention. A Non-Resident Holder who is a resident of the United States is advised to consult its tax advisor in this regard.

## **RISK FACTORS**

An investment in the Debentures is subject to certain risks. In addition to the risks described below relating to the ownership of the Debentures, reference is made to the "Risk Factors" section of the annual information form of the Corporation dated March 27, 2015 which is incorporated herein by reference. Such risk factors could have a materially adverse effect on the future results of operations, business prospects or financial condition of the Corporation, and could cause actual events to differ materially from those described in "*Cautionary Statement on Forward-Looking Information*". Additional risks and uncertainties not presently known to the Corporation, or which the Corporation currently deems to be immaterial, may also have an adverse effect upon the Corporation.

### **Risks Relating to the Offering**

#### *The Corporation may be Unable to Satisfy Payments of Interest and Principal on the Debentures*

There is no guarantee that the Corporation will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health, and creditworthiness of the Corporation and the ability of the Corporation to earn revenues. The Debentures are subordinate to other indebtedness of the Corporation. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Debentures.

#### *Trading Market for Debentures*

The Debentures constitute a new issue of securities of the Corporation for which there is currently no public market. Even though an application has been made to list the Debentures on the TSX, there can be no assurance that such listing application will be accepted by the TSX. The Debentures may trade at a discount from their Offering Price depending on prevailing interest rates, the market for similar securities, the performance of the Corporation and other factors. No assurance can be given as to whether an active trading market will develop or be maintained for the Debentures. To the extent that an active trading market for the Debentures does not develop, the liquidity and trading prices for the Debentures may be adversely affected.

#### *Volatility of Market Price of Common Shares and Debentures*

The market price of the Common Shares and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price. Additionally, this may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Common Shares and Debentures may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Cautionary Statement on Forward-Looking Information*". In addition, the market price for securities in the stock markets, including the TSX, may experience significant price and trading fluctuations. These fluctuations may result in volatility in the

market prices of securities that are unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Common Shares.

#### *Absence of Covenant Protection*

The Indenture will not restrict the Corporation or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation or any of its subsidiaries.

#### *Redemption on a Change of Control*

The Corporation is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash upon the occurrence of a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the Corporation's credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation's obligation to offer to purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures under its offer. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Indenture governing the Debentures, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

#### *Redemption Prior to Maturity*

The Debentures may be redeemed, at the Corporation's option, subject to certain conditions, on or after August 31, 2018 and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest, as described under "*Description of the Debentures - Redemption and Purchase*". Holders of Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Debentures.

#### *Conversion Following Certain Transactions*

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of Common Shares in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation is acquired in a cash merger, each Debenture would become convertible solely into cash that would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors. See "*Description of the Debentures - Conversion Privilege*".

#### *Credit Risk*

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness.

### *Subordination of Debentures*

The Debentures are unsecured obligations of the Corporation and are subordinate in right of payment to all of the Corporation's existing and future Senior Indebtedness. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Corporation, the assets that serve as collateral for any Senior Indebtedness would be made available to satisfy the obligations of the creditors of such Senior Indebtedness before being available to pay the Corporation's obligations to Debentureholders. Accordingly, all or a substantial portion of the Corporation's assets could be unavailable to satisfy the claims of the Debentureholders.

### *Dilution*

The Corporation may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares. The issuance of additional Common Shares may have a dilutive effect on the Corporation's shareholders and an adverse impact on the price of Common Shares.

### *Discretion in the Use of Proceeds*

The Corporation will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, investors will be relying on the judgment of the Corporation's management as to the application of the proceeds of the Offering. The management of the Corporation may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Corporation's results of operations may suffer.

### *Possibility of Withheld Amounts*

The Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, no amount is required to be withheld from such payments to holders of Debentures resident in Canada, but no assurance can be given that, in the future, applicable income tax laws will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

## **Risks Relating to the Corporation**

### *Forest Fires Affecting the Upper Lillooet and Boulder Creek Projects*

On July 4, 2015, the construction sites for the Upper Lillooet Project and Boulder Creek Project were evacuated pursuant to an evacuation order issued in response to nearby forest fires. The Corporation and its contractors have not been able to access the projects and consequently have limited ability to assess the extent of any damages they may have incurred. The interruption caused by this event may lead to construction delays, a postponement of the commencement date of delivery and/or increased construction costs. Although the Corporation believes that adequate insurance is in place, neither insurance coverage nor the extent thereof is guaranteed. In addition, although the Corporation believes that the forest fires and related evacuation order constitute a force majeure under agreements relating to the Upper Lillooet Project and Boulder Creek Project, the impact of these events on the projects and on the Corporation is uncertain. In the event the Boulder Creek Project and/or Upper Lillooet Project are materially damaged, there is no certainty that the insurance coverage for the projects will be sufficient or that the force majeure claims of the Corporation will not be disputed. Material costs to repair the projects, should they have to be incurred by the Corporation, could adversely impact the ability of the Corporation to satisfy its obligations under the Debentures. See "*Recent Developments – Forest Fires in British Columbia*".

## **RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN PERSONS**

NBF, TD, BMO, Desjardins, CIBC and Scotia are wholly-owned indirect subsidiaries of Canadian financial institutions that are currently lenders to the Corporation under the Credit Facility. Furthermore, upon closing of the Offering, the Corporation intends to use a portion of the proceeds of the Offering to repay approximately \$95.4 million outstanding amounts under the Credit Facility (approximately \$95.4 million of which was incurred in the two previous years for projects under development and for general corporate purposes). Consequently, the Corporation may be considered a connected issuer of NBF, TD, BMO, Desjardins, CIBC and Scotia under applicable securities laws in certain Canadian provinces.

As of July 29, 2015, the Corporation was indebted under the Credit Facility (including letters of credit) in an amount of approximately \$297.4 million.

The Corporation is in compliance with the terms of the Credit Facility. Since the execution of the credit agreement relating to the Credit Facility, the lenders have not waived a breach, on the part of the Corporation, of such credit facility, although a waiver of certain conditions of the Credit Facility was obtained in order to carry out the Offering and to give effect to the intended use of proceeds. The financial position of the Corporation has not changed in any material manner since the Credit Facility was entered into, except as disclosed herein. The indebtedness under the Credit Facility is secured by pledges of partnership interests and share capital of, and guarantees provided by, certain subsidiaries of the Corporation.

The decision to issue the Debentures and the determination of the terms of the distribution were made through negotiation among the Corporation and the Underwriters. The Canadian financial institutions which are lenders to the Corporation, including the Canadian financial institutions of which NBF, TD, BMO, Desjardins, CIBC and Scotia are the respective subsidiaries, did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of the Offering, neither NBF, TD, BMO, Desjardins, CIBC nor Scotia will receive any benefit in connection with the Offering other than their respective share of the Underwriters' fee.

## **MARKET AND INDUSTRY DATA**

The Corporation has obtained the market and industry data and other statistical information presented in the documents incorporated by reference in this prospectus from a combination of third party information and publicly available information. Although the Corporation believes these publications, reports and publicly available information to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained the underlying economic or other assumptions relied upon by these sources and cannot and does not provide any representation or assurance as to the accuracy or completeness of the information or data, or the appropriateness of the information or data for any particular analytic purpose. The Corporation has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

## **INTEREST OF EXPERTS**

Certain legal matters in connection with the Offering will be passed upon on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP. As at the date hereof, (i) the partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares and (ii) the partners and associates of Borden Ladner Gervais LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR AND DEBENTURE TRUSTEE**

The auditor of the Corporation is Deloitte LLP, Montréal, Quebec. Deloitte LLP is independent within the meaning given to this term in the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., at its principal office located in Montréal, Québec and Toronto, Ontario. The Debenture Trustee under the Indenture and the transfer agent of the Debentures will be Computershare Trust Company of Canada, at its principal office located in Montreal, Québec.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

Original purchasers of Debentures under the Offering will have a contractual right of rescission against the Corporation following the issuance of the Common Shares to such purchaser upon the conversion of the Debentures. The contractual right of rescission will entitle original purchasers to receive the amount paid for the Debentures upon surrender of the Common Shares in the event that this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation, as such term is defined in the *Securities Act* (Québec), provided that the conversion of the Debentures takes place within 180 days of the date of the purchase of the Debentures under this short form prospectus, and the right of rescission is exercised within 180 days of the date of purchase of the Debentures. This contractual right of rescission will be consistent with the statutory right of rescission described under section 217 of the *Securities Act* (Québec), and is in addition to any other right or remedy available to original purchasers under section 217 of the *Securities Act* (Québec) or any other applicable law. Original purchasers are further advised that in certain provinces of Canada the statutory right of action for damages in connection with a misrepresentation in a short form prospectus is limited to the amount paid for the Debentures that were purchased under this short form prospectus. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.



## GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set forth below, unless otherwise indicated:

“**5.75% Debentures**” means the 5.75% extendible convertible unsecured subordinated debentures of the Corporation maturing on April 30, 2017;

“**Beneficial Owner**” has the meaning attributed thereto in “*Description of the Debentures - Book Entry, Delivery and Form*”;

“**BMO**” means BMO Nesbitt Burns Inc.;

“**Cash Change of Control**” has the meaning attributed thereto under “*Description of the Debentures - Change of Control*”;

“**Cash Change of Control Conversion Price**” has the meaning attributed thereto under “*Description of the Debentures - Change of Control*”;

“**Cash Change of Control Effective Date**” has the meaning attributed thereto under “*Description of the Debentures - Change of Control*”;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Change of Control**” means (i) an acquisition by a person or group of persons acting jointly or in concert (within the meaning of the Securities Act) of ownership of, or voting control or direction over, 50% or more of the Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation (provided that a sale of less than 50% of the consolidated assets of the Corporations shall be deemed not to constitute a sale of all or substantially all of its consolidated assets);

“**CIBC**” means CIBC World Markets Inc.;

“**Closing Date**” means the date of closing of the Offering expected to occur on or about August 10, 2015, or such other date as the Corporation and the Underwriters may agree;

“**Common Shares**” means the common shares in the share capital of the Corporation;

“**Common Share Interest Payment Election**” has the meaning attributed thereto under “*Description of the Debentures – Interest Payment Election*”;

“**Conversion Price**” means \$15.00 per Common Share, subject to adjustment on the occurrence of certain events;

“**Corporation**” means Innergex Renewable Energy Inc., a corporation existing under the laws of Canada;

“**Credit Facility**” means the fourth amended and restated credit agreement dated August 9, 2011 between the Corporation, as borrower, certain subsidiaries as guarantors, and a syndicate of financial institutions as lenders, as amended;

“**Current Market Price**”, at any date, means the volume-weighted average trading price for the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable date;

“**Debenture Certificates**” has the meaning attributed thereto in “*Description of the Debentures - Book Entry, Delivery and Form*”;

“**Debenture Trustee**” means Computershare Trust Company of Canada;

“**Debentureholder**” means a holder of Debenture;

“**Debentures**” means up to \$115,000,000 aggregate principal amount of 4.25% convertible unsecured subordinated debentures;

“**Desjardins**” means Desjardins Securities Inc.;

“**Development Projects**” has the meaning attributed thereto under “*Cautionary Statement on Forward-Looking Information – Future-Oriented Financial Information*”;

“**Event of Default**” means, in respect of the Debentures, the occurrence of certain events described in the Indenture, including (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and interest on all outstanding Debentures to be immediately due and payable;

“**Forward-Looking Information**” has the meaning attributed thereto under “*Cautionary Statement on Forward-Looking Information*”;

“**Harrison Hydro Limited Partnership**” means the limited partnership through which the Corporation owns its interest in six run-of-river hydroelectric facilities having a combined installed gross capacity of 150 MW, namely the Douglas Creek Facility, the Fire Creek Facility, the Stokke Creek Facility, the Tipella Creek Facility, the Upper Stave River Facility and the Lamont Creek Facility;

“**Holder**” means a person holding Securities;

“**Indenture**” means the trust indenture to be entered into at the Closing Date between the Corporation and the Debenture Trustee, governing the terms of the Debentures;

“**Interest Obligation**” has the meaning attributed thereto under “*Description of the Debentures – Interest Payment Election*”;

“**Interest Payment Date**” means the date that interest will be paid on the Debentures, payable semi-annually on February 28 and August 31 in each year, commencing on February 28, 2016 computed on the basis of a 365-day year;

“**LTA**” has the meaning attributed thereto under “*Cautionary Statement on Forward-Looking Information – Risks and Uncertainties*”;

“**Maturity Date**” means August 31, 2020;

“**MW**” means megawatt;

“**NBF**” means National Bank Financial Inc.;

“**Non-Resident Holder**” means a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is neither a resident of Canada nor deemed to be resident in Canada and does not use or hold, and is not deemed to use or hold, the Securities in carrying on a business in Canada;

“**Offering**” means the distribution of Debentures under this short form prospectus;

“**Offering Price**” means \$1,000 per \$1,000 principal amount of Debentures;

“**Operating Facilities**” has the meaning attributed thereto under “*Cautionary Statement on Forward-Looking Information – Assumptions*”;

“**Over-Allotment Option**” means the option granted to the Underwriter to purchase a maximum of \$15,000,000 principal amount of Debentures at the Offering Price to cover over-allotments, if any, and for market stabilization purposes as described under “*Plan of Distribution*”;

“**Participants**” has the meaning attributed thereto in “*Description of the Debentures - Book Entry, Delivery and Form*”;

“**PPA**” means power purchase agreement, energy supply agreements, electricity supply agreements or renewable energy supply agreements for power projects;

“**Proposed Amendments**” has the meaning attributed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Redemption Date**” has the meaning attributed thereto under “*Description of the Debentures - Payment upon Redemption or Maturity*”;

“**Resident Holder**” means a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada;

“**RRIF**” means registered retirement income funds;

“**RRSP**” means registered retirement savings plan;

“**Scotia**” means Scotia Capital Inc.;

“**Securities**” means the Debentures and the Common Shares;

“**Securities Act**” means the *Securities Act* (Québec);

“**Securities Commissions**” means the securities commissions or authorities in the provinces in which the Corporation is a reporting issuer;

“**Senior Indebtedness**” has the meaning ascribed thereto in the Indenture;

“**Tax Act**” means the Income Tax Act (Canada), R.S.C. 1985, c.1, (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

“**taxable capital gain**” has the meaning set forth under “*Taxation of Capital Gains and Capital Losses*”;

“**TD**” means TD Securities Inc.;

“**Term Sheet**” has the meaning attributed thereto under “*Documents Incorporated by Reference*”;

“**TFSA**” means a tax-free savings account;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means, collectively, NBF, TD, BMO, Desjardins, CIBC, Scotia, and Industrial Alliance Securities Inc.;

**“Underwriting Agreement”** means the underwriting agreement dated July 24, 2015 between the Corporation and the Underwriters; and

**“U.S. Securities Act”** means the United States Securities Act of 1933, as amended.

## **CERTIFICATE OF THE CORPORATION**

Dated: July 31, 2015

This short form prospectus, together with the documents incorporated herein by reference, constitutes, full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

By: *(s) Michel Letellier*  
Michel Letellier  
President and Chief Executive Officer

By: *(s) Jean Perron*  
Jean Perron  
Chief Financial Officer

### **On behalf of the Board of Directors**

By: *(s) Jean La Couture*  
Jean La Couture  
Chairman

By: *(s) Daniel L. Lafrance*  
Daniel L. Lafrance  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: July 31, 2015

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

### NATIONAL BANK FINANCIAL INC.

By: *(s) Martin Robitaille*  
Name: Martin Robitaille  
Title: Managing Director

### TD SECURITIES INC.

By: *(s) Abe Adham*  
Name: Abe Adham  
Title: Director

### BMO NESBITT BURNS INC.

By: *(s) Nicolas Brunet*  
Name: Nicolas Brunet  
Title: Director

### DESJARDINS SECURITIES INC.

By: *(s) François Carrier*  
Name: François Carrier  
Title: Managing Director

### CIBC WORLD MARKETS INC.

By: *(s) James Brooks*  
Name: James Brooks  
Title: Managing Director

### SCOTIA CAPITAL INC.

By: *(s) Elaine Barsalou*  
Name: Elaine Barsalou  
Title: Director

### INDUSTRIAL ALLIANCE SECURITIES INC.

By: *(s) Richard Legault*  
Name: Richard Legault  
Title: President