

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement together with the short form base shelf prospectus to which it relates dated November 30, 2016, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in this prospectus supplement and the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities being offered under this prospectus supplement have not been and will not be registered under the United States Securities Act of 1933, as amended, or the Securities Act, or any state securities laws, and may not be offered or sold within the United States or to or for the account or benefit of any person in the United States (as defined in Regulation S under the Securities Act) unless the securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws is available. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus to which it relates dated November 30, 2016, as amended or supplemented, from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporate Secretary of Fortis at Suite 1100, 5 Springdale Street, P.O. Box 8837, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800) and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

December 7, 2016

**PROSPECTUS SUPPLEMENT  
(to the Short Form Base Shelf Prospectus dated November 30, 2016)**

**FORTIS INC.**



**\$500,000,000**

**2.85% SENIOR UNSECURED NOTES DUE DECEMBER 12, 2023**

We are offering \$500,000,000 aggregate principal amount of our 2.85% senior unsecured notes due December 12, 2023, or the Notes. The Notes will bear interest at a rate of 2.85% per year from December 12, 2016. We will pay interest on the Notes in equal instalments semi-annually in arrears on June 12 and December 12 of each year, commencing on June 12, 2017. **The effective yield on the Notes if held to maturity will be 2.853% per year.** Unless redeemed earlier, the Notes will mature on December 12, 2023. The Notes will be issued in denominations of \$1,000 and integral multiples thereof.

This prospectus supplement, or the Prospectus Supplement, together with the short form base shelf prospectus to which it relates dated November 30, 2016, or the Prospectus, qualifies the Notes for distribution in each of the provinces of Canada. The Notes will be issued in Canadian dollars and will be our direct senior unsecured unsubordinated obligations and payment of the principal of and interest on the Notes will rank equally with all our other present and future unsecured and unsubordinated senior indebtedness. The Notes are not guaranteed by any of our subsidiaries.

We may, at our option, in whole at any time or in part from time to time before maturity redeem the Notes at the applicable redemption price or otherwise as described in this Prospectus Supplement, together, in each case, with accrued but unpaid interest to but excluding the redemption date. See "Description of the Notes – Optional Redemption".

**Investing in the Notes involves certain risks that should be considered by a prospective purchaser. See the section of this Prospectus Supplement entitled "Risks Related to the Notes".**

**The Notes offered hereby will generally be qualified investments under the *Income Tax Act* (Canada). See "Eligibility for Investment".**

**Financial statements incorporated by reference herein have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.**

|                                       | <u>Price to the Public<sup>(1)</sup></u> | <u>Agents' Fee<sup>(2)</sup></u> | <u>Net Proceeds to Fortis<sup>(3)</sup></u> |
|---------------------------------------|--|----------------------------------|---|
| Per \$1,000 principal amount of Notes | \$999.81                                 | \$3.70                           | \$996.11                                    |
| Total.....                            | \$499,905,000.00                         | \$1,850,000.00                   | \$498,055,000.00                            |

- <sup>(1)</sup> Interest on the Notes will accrue from December 12, 2016 to the date of delivery. The price to the public set forth above does not include accrued interest, if any.
- <sup>(2)</sup> We have agreed to indemnify the Agents (as defined below) against certain liabilities. See “Plan of Distribution”.
- <sup>(3)</sup> Before deducting expenses of the issue estimated at \$700,000 which, together with the Agents’ Fee, will be paid out of our general funds. See “Plan of Distribution”.

**There is no market through which the Notes may be sold and purchasers may not be able to resell Notes purchased under this Prospectus Supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. See “Risks Related to the Notes – Active trading markets for the Notes may not develop”.**

Scotia Capital Inc., or Scotia Capital, BMO Nesbitt Burns Inc., or BMO Capital Markets, TD Securities Inc., or TDSI, CIBC World Markets Inc., or CIBC World Markets, RBC Dominion Securities Inc., or RBC Capital Markets, Desjardins Securities Inc., or Desjardins Securities, National Bank Financial Inc., or NB Financial, HSBC Securities (Canada) Inc., or HSBC Securities, Merrill Lynch Canada, Inc., or Merrill Lynch, and Casgrain & Company Limited, collectively, the Agents, as agents, conditionally offer the Notes, subject to prior sale, on a best efforts basis if, as and when issued by us, and accepted by the Agents in accordance with the terms and conditions set forth in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of us by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John’s and on behalf of the Agents by Stikeman Elliott LLP. The Agents will receive an aggregate fee of \$1,850,000, assuming the full amount of the Notes offered are sold. In the event the full amount of the Notes is not sold, the fee paid to the Agents will be pro-rated accordingly. Subscriptions for the Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. **There is no minimum amount of funds that must be raised under this Offering (as defined below). This means that we may complete the Offering after raising only a small proportion of the Offering amount set forth above.** In connection with the offering of the Notes under this Prospectus Supplement, or the Offering, the Agents may, subject to applicable laws, effect transactions that are intended to stabilize or maintain the market price of the Notes offered hereunder at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time without notice. See “Plan of Distribution”.

Each of Scotia Capital, BMO Capital Markets, TDSI, CIBC World Markets, RBC Capital Markets, Desjardins Securities, NB Financial, HSBC Securities and Merrill Lynch is an affiliate of a bank or financial institution that has, either solely or as a member of a syndicate of financial institutions, extended credit facilities to, or holds other indebtedness of, us and/or our subsidiaries, or the Existing Indebtedness. **Consequently, we may be considered a “connected issuer” of these Agents within the meaning of applicable securities legislation in the provinces of Canada. See “Plan of Distribution”.**

Closing of the Offering and delivery of the Notes, in book-entry form only through CDS Clearing and Depository Services Inc., or CDS, is expected to occur on or about December 12, 2016, or the Closing Date, or such other date as may be agreed upon by us and the Agents, but not later than December 16, 2016. See “Book-Entry Only System”. CDS or its nominee will hold the Notes in book-entry only form as depository for the participants of CDS, or the Participants. We understand that a purchaser of Notes will receive only a customer confirmation from the registered dealer (who is a Participant) from or through whom such Notes are purchased. Except as otherwise stated herein, holders of Notes will not be entitled to receive physical certificates representing their ownership thereof.

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## NOTICE TO READERS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Notes that we are offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference herein and therein. The second part is the Prospectus, which gives more general information, some of which may not apply to the Notes being offered pursuant to this Prospectus Supplement. This Prospectus Supplement is deemed to be incorporated by reference in the Prospectus solely for the purpose of the Offering.

**If the description of the Notes varies between this Prospectus Supplement and the Prospectus, you should rely on the information in this Prospectus Supplement.**

**Investors should rely only on the information contained in or incorporated by reference in this Prospectus Supplement and the Prospectus. We have not authorized anyone to provide investors with different or additional information. We are not making an offer of Notes in any jurisdiction where the offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus Supplement and the Prospectus is accurate as of any date other than the date on the front of this Prospectus Supplement.**

Unless we have indicated otherwise, or the context otherwise requires, references in this Prospectus Supplement to “Fortis”, “we”, “us” and “our” refer to Fortis Inc. and our consolidated subsidiaries.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*Capitalized terms used but not otherwise defined in this “Special Note Regarding Forward-Looking Statements” have the meanings ascribed thereto under the heading “Glossary”.*

This Prospectus Supplement and the Prospectus, including the documents incorporated herein and therein by reference, contain “forward-looking information” within the meaning of applicable Canadian securities laws. The forward-looking information reflects our current expectations regarding our future growth, results of operations, performance, business prospects and opportunities, based on information currently available. These expectations may not be appropriate for other purposes. All forward-looking information is given pursuant to the “safe harbour” provisions of applicable Canadian securities legislation. The words “anticipates”, “assumes”, “believes”, “budgets”, “can”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “opportunity”, “plans”, “projects”, “seeks”, “schedule”, “should”, “target”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management’s current beliefs and is based on information currently available to us.

The forward-looking information in this Prospectus Supplement and the Prospectus, including the documents incorporated herein and therein by reference, includes, but is not limited to, statements regarding: the expectation that the full amount of the Notes offered under this Prospectus Supplement will be sold by the Agents; the expected use of proceeds of the Offering; the expectation that the acquisition of ITC Holdings Corp., or ITC, will be accretive to earnings per Common Share in the first full year following closing of the acquisition of ITC, excluding one-time acquisition-related expenses; the expectation that we will recognize additional acquisition-related expenses in the fourth quarter of 2016; targeted average annual dividend growth through 2021; the expected timing of filing of regulatory applications and receipt and outcome of regulatory decisions; our forecast midyear rate base for 2017 and the expectation that midyear rate base will increase from 2016 to 2021; forecast gross consolidated capital expenditures for 2016 and total capital spending through 2021; forecast gross consolidated capital expenditures for 2016 for certain of our subsidiaries, including ITC, FortisAlberta and UNS Energy; the nature, timing and expected costs of certain capital projects including, without limitation, expansion of the Tilbury LNG facility, including Tilbury 1A, the pipeline expansion to the Woodfibre LNG site, and additional opportunities including electric transmission, LNG and renewable-related infrastructure and generation; the expectation that our significant capital expenditure program will support continuing growth in earnings and dividends; the expectation that the acquisition of ITC will increase total capitalization, but will not have a significant impact on the percentage breakdown of our capital structure; the expectation that cash required to complete subsidiary capital expenditure programs will be sourced from a combination of cash from operations, borrowings under credit facilities, equity injections from us and long-term debt offerings; the expectation that maintaining the targeted capital structure of our regulated operating subsidiaries will not have an impact on our ability to pay dividends in the foreseeable future; the expectation that our subsidiaries will be able to source the cash required to fund our capital expenditure programs; the expected consolidated fixed-term debt maturities and repayments over the next five years, including at ITC; the expectation that the combination of available credit facilities and relatively low annual debt maturities and repayments will provide us with flexibility in the timing of access to capital markets; the expectation that we will remain compliant with debt covenants

throughout 2016; the intent of management to hedge future exchange rate fluctuations and monitor our foreign currency exposure; the expectation that FortisAlberta will recognize capital tracker revenue in 2016; Tucson Electric Power Company's expected share of mine reclamation costs; Central Hudson's estimated total remediation costs for manufactured gas plant sites; the estimated range of return on common shareholder's equity refunds and associated regulatory liabilities at ITC; the expectation that any liability from current legal proceedings will not have a material adverse effect on our consolidated financial position and results of operations; and the expectation that the adoption of certain future accounting pronouncements will not have a material impact on our consolidated financial statements.

The forecasts and projections that make up the forward-looking information included in this Prospectus Supplement and the Prospectus are based on assumptions which include, but are not limited to: the sale by the Agents in the Offering of the full amount of the Notes offered in this Prospectus Supplement; the realization of the anticipated benefits of the acquisition of ITC; our ability to successfully integrate the business and operations of ITC into our group of companies; our ability to retain key employees of ITC; the absence of undisclosed liabilities of ITC; the receipt of applicable regulatory approvals and requested rate orders, no material adverse regulatory decisions being received, and the expectation of regulatory stability; no material capital project and financing cost overrun related to any of our capital projects; the realization of additional opportunities including natural gas related infrastructure and generation; our Board of Directors exercising its discretion to declare dividends, taking into account our business performance and financial conditions; no significant variability in interest rates; no significant operational disruptions or environmental liability due to a catastrophic event or environmental upset caused by severe weather, other acts of nature or other major events; the continued ability to maintain the electricity and gas systems to ensure their continued performance; no severe and prolonged downturn in economic conditions; no significant decline in capital spending; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms to flow through the cost of natural gas and energy supply costs in customer rates; the ability to hedge exposures to fluctuations in foreign exchange rates, natural gas prices and electricity prices; no significant counterparty defaults; the continued competitiveness of natural gas pricing when compared with electricity and other alternative sources of energy; the continued availability of natural gas, fuel, coal and electricity supply; continuation and regulatory approval of power supply and capacity purchase contracts; the ability to fund defined benefit pension plans, earn the assumed long-term rates of return on the related assets and recover net pension costs in customer rates; no significant changes in government energy plans, environmental laws and regulations that may materially negatively affect our operations and cash flows; no material change in public policies and directions by governments that could materially negatively affect us and our subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; the continued tax-deferred treatment of earnings from our Caribbean operations; continued maintenance of information technology infrastructure; continued favourable relations with First Nations; favourable labour relations; that we can reasonably assess the merit of and potential liability attributable to ongoing legal proceedings; and sufficient human resources to deliver service and execute the capital program.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations include, but are not limited to: the risk that the proceeds of the Offering will be less than the full amount offered in this Prospectus Supplement; regulatory risk, including risks relating to pending and future changes in environmental regulations; interest rate risk, including the uncertainty of the impact that a continuation of a low interest rate environment may have on the ROE of our regulated utilities; the impact of fluctuations in foreign exchange rates; risk associated with the impact of less favorable economic conditions on our results of operations; risks associated with the continuation, renewal, replacement and/or regulatory approval of power supply and capacity purchase contracts; risks relating to energy prices; provincial, state and federal regulatory legislative decisions and actions, including the uncertainty related to changes in government energy plans, environmental laws and regulation and the composition of regulatory oversight bodies; uncertainty related to the realization of some or all of the expected benefits of the acquisition of ITC; uncertainty regarding the outcome of regulatory proceedings of our utilities; risks relating to any potential downgrade of our credit ratings; risks relating to the Base Rate Complaints; risks relating to potential additional FERC challenges and FERC orders that could result in the ITC Regulated Operating Subsidiaries continuing to take Bonus Depreciation; operating and maintenance risks, including our limited experience in the independent FERC-regulated transmission industry; the risk that ITC will not be integrated successfully; risks relating to our ability to access capital markets on favourable terms or at all; the cost of debt and equity capital; risks associated with changes in economic conditions; changes in regional economic and market conditions which could affect customer growth and energy usage; risks relating to the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labour shortages, material and equipment prices and availability; the performance of the stock market and changing interest rate environment; risks from regulatory approvals for reasons relating to rate construct, environmental, siting, regional planning, cost recovery or other issues or as a result of legal proceedings; risks arising from variances between estimated and actual costs of construction contracts awarded and the potential for greater competition; insurance coverage risk; risk of loss of licences and permits; risk of loss of service area; risks relating to derivatives; the continued ability to hedge foreign exchange risk; counterparty risk; environmental risk; competitiveness of natural gas; natural gas, fuel, coal and electricity supply risk;

risks relating to human resources and labour relations; risk of unexpected outcomes of legal proceedings currently against us; risk of not being able to access First Nations lands; weather and seasonality risk; commodity price risk; capital resources and liquidity risks; changes in critical accounting estimates; risks related to changes in tax legislation; the ongoing restructuring of the electric industry; changes to long-term contracts; risk of failure of information technology infrastructure and cyber-attacks or challenges to our information security; and certain presently unknown or unforeseen risks, including, but not limited to, acts of terrorism. For additional information with respect to our risk factors and risk factors relating to the Notes, reference should be made to the section of this Prospectus Supplement entitled “Risks Related to the Notes”, the section of the Prospectus entitled “Risk Factors”, to the documents incorporated herein and therein by reference and to our continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

All forward-looking information in this Prospectus Supplement, the Prospectus and in the documents incorporated herein and therein by reference is qualified in its entirety by the above cautionary statements and, except as required by law, we undertake no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

### **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus Supplement is deemed to be incorporated by reference in the Prospectus solely for the purpose of the Offering. The following documents filed by us with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference in, and form an integral part of, this Prospectus Supplement and the Prospectus:

- (a) our Annual Information Form dated February 17, 2016, for the fiscal year ended December 31, 2015;
- (b) our audited comparative consolidated financial statements as at December 31, 2015 and December 31, 2014 and for the fiscal years ended December 31, 2015 and 2014, together with the notes thereto, or the Annual Financial Statements, and the auditors’ report thereon dated February 17, 2016;
- (c) our Management Discussion and Analysis of financial condition and results of operations dated February 17, 2016 for the fiscal year ended December 31, 2015, or the Annual MD&A;
- (d) our Management Information Circular dated March 18, 2016 prepared in connection with our annual and special meeting of shareholders held on May 5, 2016, or the Management Information Circular; provided, however, that the following sections or subsections of the Management Information Circular are hereby excluded from this Prospectus Supplement and the Prospectus in accordance with Item 11.1(3) of Form 44-101F1 – *Short Form Prospectus* as the acquisition of ITC has been completed:
  - (i) “Questions and Answers About the Meeting and Acquisition – Did the Board of Directors of Fortis receive a fairness opinion in connection with the Acquisition?” at pages 3-4 of the Management Information Circular;
  - (ii) the references to Goldman, Sachs & Co. and the opinion of Goldman, Sachs & Co. under the headings “Special Business – The Acquisition of ITC Holdings Corp. – Background and Recommendation – Background to the Acquisition” and “Special Business – The Acquisition of ITC Holdings Corp. – Background and Recommendation – Recommendation of the Board” at page 19 of the Management Information Circular;
  - (iii) Schedule C – Opinion of Goldman, Sachs & Co.; and
  - (iv) any other references to Goldman, Sachs & Co. and the opinion of Goldman, Sachs & Co. contained in the Management Information Circular;
- (e) our unaudited comparative interim consolidated financial statements as at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015, together with the notes thereon, or the Interim Financial Statements;

- (f) our Management Discussion and Analysis of financial condition and results of operations for the three and nine months ended September 30, 2016, or the Interim MD&A;
- (g) our material change report dated February 11, 2016 relating to the announcement of the acquisition of ITC;
- (h) our material change report dated October 24, 2016 relating to the announcement of the completion of the acquisition of ITC;
- (i) our business acquisition report dated November 23, 2016 with respect to the acquisition of ITC completed on October 14, 2016, or the ITC Business Acquisition Report;
- (j) the template version of the indicative term sheet in respect of the Notes filed on December 7, 2016, or the Indicative Term Sheet; and
- (k) the template version of the final term sheet in respect of the Notes filed on December 7, 2016, or the Final Term Sheet.

Any document of the type referred to above, including any material change report (other than any confidential material change report), any business acquisition report and any prospectus supplements disclosing additional or updated information, subsequently filed by us with such securities commissions or regulatory authorities in Canada after the date of this Prospectus Supplement, and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus.

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

The Indicative Term Sheet did not include the final terms of the Offering, including the aggregate principal amount, the issue price, interest rate and the discount rate to be applied in calculating the Canada Yield Price (as defined below) of the Notes, as such terms had not been established at the time that the Indicative Term Sheet was provided to potential investors. Pursuant to Part 9A.3(7) of National Instrument 44-102 – *Shelf Distributions* (referred to in Quebec as *Regulation 44-102 respecting Shelf Distributions*), we have prepared and filed the Final Term Sheet reflecting these final terms, together with a blackline showing how it modifies the Indicative Term Sheet. A copy of the Final Term Sheet and the associated blackline are filed on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com).

#### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

Copies of the documents incorporated in this Prospectus Supplement and the Prospectus by reference may be obtained on request without charge from our Corporate Secretary at Suite 1100, 5 Springdale Street, P.O. Box 8837, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). These documents are also available through the Internet on our website at [www.fortisinc.com](http://www.fortisinc.com) or on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com). The information contained on, or accessible through, any of these websites is not incorporated by reference into this Prospectus Supplement or the Prospectus and is not, and should not be considered to be, a part of this Prospectus Supplement or the Prospectus unless it is explicitly so incorporated.

## PRESENTATION OF FINANCIAL INFORMATION

Financial statements incorporated by reference in this Prospectus Supplement and the Prospectus have been prepared in accordance with U.S. GAAP. Certain calculations included in tables and other figures in this Prospectus Supplement and the Prospectus have been rounded for clarity of presentation.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to us, and Stikeman Elliott LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder, collectively the Tax Act, in force as of the date hereof, the Notes being offered pursuant to this Prospectus Supplement, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, or a RRSP, a registered retirement income fund, or a RRIF, a registered education savings plan, a deferred profit sharing plan, or a DPSP, other than a DPSP to which we, or an employer that does not deal at arm’s length with us, have made a contribution, a registered disability savings plan and a tax-free savings account, or a TFSA, or collectively, Exempt Plans, provided either our common shares, or Common Shares, are listed on a “designated stock exchange” (which includes the TSX and NYSE) or we are a “public corporation”, each as defined in the Tax Act.

Notwithstanding the foregoing, if the Notes are a “prohibited investment” (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Notes will not be a prohibited investment for a TFSA, RRSP or RRIF, provided the holder or annuitant of such Exempt Plan, as the case may be, (a) deals at arm’s length with us, for purposes of the Tax Act and (b) does not have a “significant interest” (as defined in the prohibited investment rules in the Tax Act) in us. Prospective purchasers should consult with their tax advisors if they are considering an investment in Notes through an Exempt Plan.

### CURRENCY AND EXCHANGE RATE INFORMATION

This Prospectus Supplement contains references to U.S. dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. References to “\$” or “C\$” are to Canadian dollars and references to “US\$” are to U.S. dollars. The following table shows, for the years and dates indicated, certain information regarding the Canadian dollar/U.S. dollar exchange rate. The information is based on the noon exchange rate as reported by the Bank of Canada. Such exchange rate on December 5, 2016 was C\$1.3272 = US\$1.00.

|                                | Period End     | Average <sup>(1)</sup> | Low    | High   |
|--------------------------------|----------------|------------------------|--------|--------|
|                                | (C\$ per US\$) |                        |        |        |
| <b>Year ended December 31,</b> |                |                        |        |        |
| 2015.....                      | 1.3840         | 1.2788                 | 1.1728 | 1.3990 |
| 2014.....                      | 1.1601         | 1.1045                 | 1.0614 | 1.1643 |
| 2013.....                      | 1.0636         | 1.0299                 | 0.9839 | 1.0697 |
| <b>Quarter ended,</b>          |                |                        |        |        |
| September 30, 2016.....        |                |                        | 1.2775 | 1.3248 |
| June 30, 2016.....             |                |                        | 1.2544 | 1.3170 |
| March 31, 2016.....            |                |                        | 1.2962 | 1.4589 |

<sup>(1)</sup> The average of the noon buying rates during the relevant period.



## SUMMARY OF THE OFFERING

*The following information is a summary only and is to be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus Supplement, the Prospectus and in the documents incorporated by reference herein and therein. All capitalized terms used but not defined in this summary are defined under the heading "Glossary". See "Description of the Notes" and "Description of the Principal Indenture".*

|   |   |
|---|---|
| <b>Issuer:</b>                                    | Fortis Inc.   |
| <b>Debt Securities Offering:</b>                  | \$500 million aggregate principal amount of 2.85% senior unsecured notes due December 12, 2023.   |
| <b>Price to the Public:</b>                       | \$999.81 per \$1,000 principal amount of Notes.   |
| <b>Interest Rates and Interest Payment Dates:</b> | We will pay interest on the Notes at the rate of 2.85% per year, in arrears, in equal semi-annual instalments on June 12 and December 12 of each year, beginning on June 12, 2017. See "Description of the Notes – Interest and Payment".   |
| <b>Record Dates:</b>                              | The record date in respect of any interest payment date for the Notes will be the 15 <sup>th</sup> calendar day next preceding each semi-annual interest payment date.  |
| <b>Maturity Date:</b>                             | The Notes will mature on December 12, 2023.   |
| <b>Date of Closing:</b>                           | On or about December 12, 2016 or such other date as may be agreed upon by us and the Agents, but not later than December 16, 2016.  |
| <b>Use of Proceeds:</b>                           | The net proceeds of the Offering will be used to repay short-term indebtedness and for general corporate purposes. See "Use of Proceeds".   |
| <b>Optional Redemption:</b>                       | The Notes are redeemable, in whole at any time or in part from time to time before maturity, at our option, at the applicable redemption price described in this Prospectus Supplement. See "Description of the Notes – Optional Redemption".   |
| <b>Ranking:</b>                                   | <p>The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. The Notes will be effectively subordinated to any of our existing and future secured obligations to the extent of the value of the collateral securing such obligations. The Notes will be structurally subordinated to all liabilities and any preference or preferred shares of our subsidiaries.</p> <p>The Indenture (as defined below) governing the Notes does not contain any restrictions on the amount of additional indebtedness that we and our subsidiaries may incur, including with respect to secured debt. It also does not contain any limits on the amount of preference or preferred shares that we or our subsidiaries may issue. Any such amounts could be substantial.</p> |
| <b>Certain Covenants:</b>                         | The Indenture contains a covenant that limits our ability to consolidate or merge with or into, or convey or transfer all or substantially all of our properties and assets to, another corporation or other entity. This covenant is subject to important exceptions and qualifications which are described under "Description of the Principal Indenture – Consolidation, Merger, Conveyance or Transfer".  |
| <b>Expected Ratings:</b>                          | The Notes have received provisional ratings of BBB (high) by DBRS Limited, or DBRS, and BBB+ by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation, or S&P. We expect the Notes to be accorded a rating of Baa3 by Moody's Investors Service, Inc., or Moody's. A securities rating is not a recommendation to buy, sell or hold   |

securities and may be subject to revision or withdrawal at any time. See “Ratings”.

**Purchase for Cancellation:**

We shall have the right to purchase Notes in the market, by tender or private contract, from time to time. Any Notes purchased by us shall be cancelled and no Note shall be issued in substitution therefore. See “Description of the Principal Indenture – Purchase for Cancellation”.

**Listing / No Public Trading Market:**

There is no market through which the Notes may be sold and purchasers may not be able to resell Notes purchased under this Prospectus Supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. See “Risks Related to the Notes – Active trading markets for the Notes may not develop”.

**Form and Denomination:**

The Notes will be issued in the form of one or more global securities that will be deposited with, or on behalf of, the depository, CDS, through its book-entry only system. Interests in the global securities will be issued only in denominations of \$1,000 or integral multiples thereof. Except as described under “Book-Entry Only System”, Notes in definitive form will not be issued. See “Book-Entry Only System”.

**Risk Factors:**

An investment in the Notes involves certain risks. You should carefully consider all information in this Prospectus Supplement and the Prospectus. In particular, you should evaluate the specific risks described in the section entitled “Risks Related to the Notes” in this Prospectus Supplement for a discussion of risks relating to an investment in the Notes.

**Trustee:**

Computershare Trust Company of Canada.

## CAPITALIZATION

The following table sets out our consolidated capitalization as of September 30, 2016 and on a *pro forma* basis as of such date after giving effect to: (a) the net proceeds of the Offering, determined after deducting the Agents' Fee and estimated expenses of the Offering on an after-tax basis; (b) the acquisition of ITC which closed on October 14, 2016; and (c) the changes in Common Shares, long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, including the financing of the acquisition of ITC. See "Changes in Share and Loan Capital Structure" in this Prospectus Supplement. The financial information set out below has been prepared in accordance with U.S. GAAP, except the *pro forma* financial information, which has been prepared in accordance with applicable Canadian rules.

|   | <b>As at<br/>September 30, 2016<br/>(unaudited)</b> | <b><i>Pro forma</i><br/>As at<br/>September 30, 2016<br/>(unaudited)<sup>(1)</sup></b> |
|---|---|--|
| (in millions of dollars)  |   |  |
| Total debt, capital lease and finance obligations <sup>(2)</sup> (net of cash)..... | 12,356  | 21,924   |
| Shareholders' equity  |   |  |
| Common Shares .....   | 6,012   | 10,760   |
| Preference shares.....  | 1,623   | 1,623  |
| Additional paid-in capital.....   | 12  | 12   |
| Accumulated other comprehensive income.....   | 565   | 565  |
| Retained earnings .....   | 1,456   | 1,456  |
| <b>Total capitalization<sup>(3)</sup>.....</b>                                      | <b>22,024</b>                                       | <b>36,340</b>  |

<sup>(1)</sup> After giving effect to: (a) the net proceeds of the Offering, determined after deducting the Agents' Fee and estimated expenses of the Offering on an after-tax basis; (b) the acquisition of ITC which closed on October 14, 2016; and (c) the changes in Common Shares, long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, including the financing of the acquisition of ITC. See "Changes in Share and Loan Capital Structure".

<sup>(2)</sup> Includes long-term debt, capital lease and finance obligations, including the current portion, and short-term borrowings.

<sup>(3)</sup> Excludes non-controlling interests.

## CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE

The following describes the changes in our share and loan capital structure since September 30, 2016 to December 5, 2016.

- (a) On October 14, 2016 we issued 114,363,774 Common Shares to former holders of ITC common stock as partial consideration for the acquisition of ITC for total consideration of \$4.7 billion.
- (b) During the period from October 1, 2016 up to and including December 5, 2016, we issued an aggregate of 1,599,986 Common Shares in connection with issuances under our Dividend Reinvestment Plan, Employee Share Purchase Plan and Consumer Share Purchase Plan, and upon the conversion of convertible debentures issued on January 9, 2014, for aggregate consideration of approximately \$64 million.
- (c) During the period from October 1, 2016 up to and including December 5, 2016, our consolidated long-term debt, capital lease and finance obligations, including current portions and committed credit facility borrowings classified as long-term debt, increased by approximately \$9.6 billion, principally due to:
  - (i) the issuance on October 4, 2016 of an aggregate principal amount of US\$2 billion of our US\$500 million 2.100% Notes due 2021 and our US\$1,500 million 3.055% Notes due 2026 in connection with the financing of the acquisition of ITC;
  - (ii) the drawdown on October 13, 2016 of \$535 million (approximately US\$404 million) from our non-revolving term senior unsecured equity bridge facility with The Bank of Nova Scotia, repayable in full 364 days following its advance, in connection with the financing of the acquisition of ITC;
  - (iii) approximately US\$4.6 billion (at fair value) of consolidated long-term debt of ITC and its subsidiaries outstanding on October 14, 2016, the date of closing of the acquisition of ITC by Fortis;

- (iv) the issuance of a shareholder note in the principal amount of US\$199 million by a subsidiary of Fortis in favour of Eiffel Investment Pte Ltd, an affiliate of GIC Pte Ltd., in connection with the financing of the acquisition of ITC; and
- (v) changes in foreign exchange rates over the period.

### **EARNINGS COVERAGE RATIO**

In accordance with the requirements of the Canadian securities regulatory authorities, the consolidated earnings coverage ratios set out below have been calculated for the 12-month periods ended September 30, 2016 and December 31, 2015. Our interest requirements on all of our outstanding long-term debt, after giving effect to the issue of the Notes to be offered under this Prospectus Supplement, amounted to \$626 million and \$607 million for the 12 months ended September 30, 2016 and the 12 months ended December 31, 2015, respectively. Our dividend requirements on all of our First Preference Shares for the 12 months ended September 30, 2016 and the 12 months ended December 31, 2015, adjusted to a before-tax equivalent, amounted to \$97 million using an effective income tax rate of 19.7% and \$97 million using an effective income tax rate of 21.0%, respectively. Our earnings before interest and income tax for the 12 months ended September 30, 2016 and the 12 months ended December 31, 2015 were \$1,335 million and \$1,558 million, respectively, which is 1.85 times and 2.21 times, respectively, our aggregate interest and dividend requirements for the periods.

Our earnings coverage ratios, calculated on a *pro forma* basis after giving effect to the acquisition of ITC, including: (a) the amount of borrowings in connection with the financing of the acquisition of ITC; and (b) the indebtedness of ITC, on a consolidated basis, on closing of the acquisition, which was \$5.9 billion as of September 30, 2016, are calculated as follows: (i) our interest requirements on all of our outstanding long-term debt, after giving effect to the issue of the Notes to be offered under this Prospectus Supplement, amounted to \$935 million and \$706 million for the 12 months ended December 31, 2015 and the nine months ended September 30, 2016, respectively; (ii) our dividend requirements on all of our First Preference Shares for the 12 months ended December 31, 2015 and the nine months ended September 30, 2016, adjusted to a before-tax equivalent, amounted to \$104 million using an effective income tax rate of 26.2% and \$80 million using an effective income tax rate of 26.0%, respectively; and (iii) our earnings before interest and income tax for the 12 months ended December 31, 2015 and the nine months ended September 30, 2016 were \$2,234 million and \$1,608 million, respectively, which is 2.15 times and 2.05 times, respectively, our aggregate interest and dividend requirements for the periods after giving effect to the acquisition of ITC and the financing thereof as described in the documents incorporated by reference in this Prospectus Supplement.

### **RATINGS**

The following table discloses the provisional credit ratings and credit ratings outlooks accorded to the Notes by DBRS and S&P, as well as the credit rating and credit rating outlook expected to be accorded to the Notes by Moody's.

| <u>Rating Agency</u> | <u>Rating</u> | <u>Outlook</u> |
|----------------------|---------------|----------------|
| DBRS                 | BBB (high)    | Stable         |
| S&P                  | BBB+          | Stable         |
| Moody's              | Baa3          | Stable         |

DBRS' credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. The "BBB" rating category is the fourth highest of the ten major ratings categories used by DBRS. According to the DBRS rating system, debt securities rated BBB are of adequate credit quality and the capacity for the payment of financial obligations is considered acceptable. Further, according to the DBRS rating system, a BBB rated obligation may be vulnerable to future events. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. The "high" and "low" grades are not used for the AAA or D category. DBRS' rating trends provide guidance in respect of the agency's opinion regarding the outlook for a rating, with rating trends falling into one of three categories: positive, stable or negative.

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. S&P's "BBB" rating category is the fourth highest of the ten major rating categories used by

S&P. According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings from “AA” to “CCC” may be modified by the addition of a plus or minus designation to show the relative standing of debt within the rating category. S&P’s rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years), with outlooks falling into one of five categories: positive, negative, stable, developing or not meaningful.

Moody’s credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Baa is the fourth highest of nine major categories used by Moody’s. According to the Moody’s rating system, debt securities rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. Moody’s applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. Moody’s rating outlook is an opinion regarding the likely rating direction over the medium term, with outlooks falling into one of four categories: positive, negative, stable and developing.

The credit ratings accorded to the Notes by these rating agencies are not recommendations to buy, hold or sell the Notes since such ratings do not comment as to their market price or suitability for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are intended to be indicators of the likelihood of payment and of the capacity and willingness of the issuer to meet its financial commitment on obligations in accordance with the terms of those securities. However, the credit ratings accorded to the Notes may not reflect the potential impact of all risks on the value of the Notes, including risks related to structure, market or the other factors discussed in this Prospectus Supplement, the Prospectus or the documents incorporated by reference herein and therein. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant and, if any such rating is so revised or withdrawn, we are under no obligation to update this Prospectus Supplement. See “Risk Related to the Notes – Changes in our credit ratings may adversely affect the value of the Notes”.

We have made payments to DBRS, S&P and Moody’s in connection with the assignment of ratings to our long-term debt and will make payments to DBRS, S&P and Moody’s in connection with the confirmation of such ratings for purposes of the Offering of the Notes under this Prospectus Supplement. In addition, we have made payments in respect of certain other services provided to us by each of DBRS, S&P and Moody’s during the last two years.

## DESCRIPTION OF THE NOTES

*The following is a summary of the principal terms and conditions of the Notes and of the Indenture under which they will be issued. This description of the particular terms of the Notes supplements and, to the extent inconsistent therewith, replaces the description of the general terms and provisions of the debt securities found in the Prospectus with respect to the Notes being offered by this Prospectus Supplement. The description is intended to be only a summary of the material provisions of the Notes and the Indenture and is qualified in its entirety by reference to all of the provisions of the Notes and the Indenture. For full particulars, reference should be made to the Indenture.*

### General

The following description of the terms of the Notes summarizes certain general terms that will apply to the Notes.

The Notes will be issued as the first series of senior unsecured debt securities under an indenture between us and Computershare Trust Company of Canada, as Trustee, dated as of the Closing Date, or the Principal Indenture, as supplemented from time to time, including by a first supplemental indenture between us and the Trustee, dated as of the same date with respect to the Notes, or the First Supplemental Indenture, and together with the Principal Indenture, the Indenture.

The Notes will be issued in denominations of \$1,000 and integral multiples thereof and will be unlimited as to principal amount. The Prospectus Supplement, together with the Prospectus, qualifies the distribution of the Notes, which will initially be issued on closing of the Offering in an aggregate principal amount of \$500 million and will mature on December 12, 2023. Payments of principal of, and interest and premium, if any, on, the Notes will be made in Canadian dollars.

We may from time to time, without the consent of existing holders of the Notes, create and issue further notes having the same terms and conditions as the Notes being offered hereby in all respects, except for the issue date, the issue price and, if applicable, the first payment of interest thereon and the initial interest accrual date. Additional notes issued in this manner will be consolidated with, and will form a single series with, the previously outstanding Notes.

As used in this Prospectus Supplement, “business day” means, with respect to the Notes, a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in Toronto, Ontario or St. John’s, Newfoundland and Labrador, Canada are authorized or obligated by law or executive order to remain closed, or (c) a day on which the corporate trust office of the Trustee is closed for business.

## **Ranking**

The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness, except to the extent prescribed by applicable law. The Indenture does not limit the amount of debt we or our subsidiaries may incur, including with respect to secured debt. In addition, the Indenture does not limit our ability to pay dividends, make distributions or repurchase Common Shares. See “Risks Related to the Notes – The Indenture does not limit the amount of debt we or our subsidiaries may incur or restrict our ability to engage in other transactions that may adversely affect holders of the Notes”.

The Notes will be effectively subordinated to any of our existing and future secured obligations to the extent of the value of the collateral securing such obligations. As of September 30, 2016, on a *pro forma* basis after giving effect to: (a) the net proceeds of the Offering, determined after deducting the Agents’ Fee and estimated expenses of the Offering on an after-tax basis; (b) the acquisition of ITC which closed on October 14, 2016; and (c) the changes in long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, we had approximately \$4.0 billion of secured obligations. See “Risks Related to the Notes – The Notes are not secured by any of our assets and any secured creditors would have a prior claim on our assets”.

The Notes will be structurally subordinated to all liabilities and any preference or preferred shares of our subsidiaries. As of September 30, 2016, on a *pro forma* basis after giving effect to: (a) the net proceeds of the Offering, determined after deducting the Agents’ Fee and estimated expenses of the Offering on an after-tax basis; (b) the acquisition of ITC which closed on October 14, 2016; and (c) the changes in long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, (i) our consolidated indebtedness would have been an estimated \$21.9 billion, of which approximately \$15.8 billion would have been indebtedness of our subsidiaries, and (ii) our subsidiaries would have had outstanding preference or preferred shares held by non-affiliates in an aggregate amount that is immaterial. See “Risks Related to the Notes – The Notes are structurally subordinated to any indebtedness of our subsidiaries, and we may be unable to generate cash flow to service our debt obligations if our subsidiaries are unable to distribute cash to us or repay loans from us”.

## **Interest and Payment**

The Notes will mature on December 12, 2023 and will bear interest on the unpaid principal amount at a rate of 2.85% per year. Interest on the Notes shall be payable in equal semi-annual instalments in arrears on June 12 and December 12 of each year that the Notes are outstanding, commencing on June 12, 2017. The semi-annual interest payments will be an amount equal to \$14.25 per \$1,000 principal amount of Notes.

If a due date for the payment of interest or principal on the Notes falls on a day that is not a business day, then the payment will be made on the next succeeding business day, and no interest will accrue on the amounts payable for the period from and after the original due date until the next business day. Interest will be paid to the person in whose name each Note is registered at the close of business on the fifteenth calendar day next preceding each semi-annual interest payment date (whether or not a business day). Interest for any period (other than a full coupon period for an instalment of interest) will be calculated on the basis of the actual number of days in such period over a year of 365 days. Interest on the Notes will accrue from December 12, 2016, or from the most recent interest payment date to which interest has been paid or duly provided for.

## **Optional Redemption**

At any time before October 12, 2023 (which is the date that is two months prior to the maturity of the Notes), we will have the right to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes being redeemed and (b) the Canada Yield Price of the principal amount thereof to be redeemed, plus, in either case, accrued and unpaid interest on the principal amount of the Notes being redeemed to, but excluding, the redemption date.

At any time on or after October 12, 2023 we will have the right to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to, but excluding, such redemption date.

“Canada Yield Price” means the price in respect of the principal amount of the Notes to be redeemed, calculated on the date of redemption, equal to the net present value of all scheduled payments of interest and principal on the Notes to be redeemed from the redemption date to the remaining term to October 12, 2023 using a discount rate equal to the sum of the Canada Yield (as defined below) on such business day plus 0.375%.

“Canada Yield” means, on any date, the yield to maturity on such date as determined by the arithmetic average (rounded to three decimal places) of the yields quoted at 10:00 a.m. (Toronto time) by two major Canadian investment dealers selected by us in accordance with the Indenture, assuming semi-annual compounding and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to October 12, 2023.

## **Redemption Procedures**

Notice of any redemption will be given at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed by mail or, as long as the Notes are represented by one or more global securities, transmitted in accordance with CDS’ procedures, to each registered holder of the Notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue from and after the redemption date on the Notes or portions of such Notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

## **Sinking Fund**

There is no provision for a sinking fund applicable to the Notes.

## **DESCRIPTION OF THE PRINCIPAL INDENTURE**

The Indenture does not limit the amount of debt securities, including notes, that we may issue thereunder. We may issue debt securities, whether senior or subordinated, from time to time under the Indenture in one or more series by entering into supplemental indentures or by our Board of Directors or a duly authorized committee authorizing the issuance. The debt securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date. Computershare Trust Company of Canada is the Trustee under the Indenture. See “Risks Related to the Notes – The Indenture does not limit the amount of debt we or our subsidiaries may incur or restrict our ability to engage in other transactions that may adversely affect holders of the Notes”.

We conduct our business primarily through our subsidiaries. Accordingly, our ability to meet our obligations under our debt securities is dependent primarily on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to us. In addition, the rights that we and our creditors would have to participate in the assets of any such subsidiary upon the subsidiary’s liquidation or recapitalization will be subject to the prior claims of the subsidiary’s creditors. Certain of our subsidiaries have incurred substantial amounts of debt in the operations and expansion of their businesses and we anticipate that certain of our subsidiaries will continue to do so in the future.

Holders of our debt securities under the Indenture will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preference or preferred shares. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities. The Notes will be effectively subordinated to any of our existing and future secured

obligations to the extent of the value of the collateral securing such obligations. The Notes will be structurally subordinated to all liabilities and any preference or preferred shares of our subsidiaries. In addition, the Indenture does not limit our ability to pay dividends, make distributions or repurchase Common Shares. See “– The Indenture does not limit the amount of debt we or our subsidiaries may incur or restrict our ability to engage in other transactions that may adversely affect holders of the Notes”, “– The Notes are not secured by any of our assets and any secured creditors would have a prior claim on our assets” and “– The Notes are structurally subordinated to any indebtedness of our subsidiaries, and we may be unable to generate cash flow to service our debt obligations if our subsidiaries are unable to distribute cash to us or repay loans from us” in the section entitled “Risks Related to the Notes” in this Prospectus Supplement.

The following description of the Principal Indenture is only a summary and is not intended to be comprehensive and will be subject to, and is qualified in its entirety by reference to, the Indenture. A copy of each of the Principal Indenture and the First Supplemental Indenture will be filed on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com).

The Indenture and the Notes are governed by the laws of the Province of Newfoundland and Labrador, Canada.

### **Purchase for Cancellation**

Under the Indenture, we shall have the right to purchase Notes in the market, by tender or private contract, from time to time. Any debt securities purchased by us shall be cancelled and no debt security shall be issued in substitution therefore.

### **Provisions Applicable to Particular Series**

A supplemental indenture and, if required pursuant to applicable law, a corresponding prospectus supplement for a particular series of debt securities will disclose the specific terms related to the offering of such debt securities, including the price or prices at which the debt securities to be offered will be issued. Those terms may include some or all of the following:

- (a) the title of the series;
- (b) the total principal amount of the debt securities of the series;
- (c) the date or dates on which principal is payable or the method for determining the date or dates, and any right that we have to change the date on which principal is payable;
- (d) the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- (e) any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- (f) whether we may extend the interest payment periods and, if so, the terms of the extension;
- (g) the place or places where payments will be made;
- (h) whether we have the option to redeem the debt securities and, if so, the terms of our redemption option;
- (i) any obligation that we have to redeem the debt securities through a sinking fund or to purchase the debt securities through a purchase fund or at the option of the holder;
- (j) whether the provisions described under “– Satisfaction and Discharge, Defeasance and Covenant Defeasance” will not apply to the debt securities;
- (k) the currency in which payments will be made if other than Canadian dollars, and the manner of determining the equivalent of those amounts in Canadian dollars, if applicable;
- (l) the portion of the principal payable upon acceleration of maturity, if other than the entire principal;



- (m) whether the debt securities will be issuable as global securities and, if so, the securities depository;
- (n) any changes in the events of default or covenants with respect to the debt securities;
- (o) any index or formula used for determining principal, premium or interest;
- (p) the terms of the subordination of any series of subordinated debt;
- (q) if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- (r) the person to whom any interest shall be payable if other than the person in whose name the debt security is registered on the regular record date for such interest payment; and
- (s) any other terms.

We will issue the debt securities of each series only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the debt securities. We may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange (excluding certain exchanges not constituting a transfer as set forth in the Indenture). Subject to the terms of the Indenture and the limitations of CDS and the Trustee applicable to global securities, transfers and exchanges of the debt securities may be made at the corporate trust office of the Trustee or at any other office we maintain for such purpose.

The debt securities will be issuable in denominations of \$1,000 and any integral multiples thereof. We may at any time deliver executed debt securities to the Trustee for authentication, and the Trustee shall authenticate such debt securities upon our written request and satisfaction of certain other conditions set forth in the Indenture.

We may offer and sell the debt securities, including original issue discount debt securities, at a substantial discount below their principal amount.

### **Global Securities**

We may issue some or all of the debt securities as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. We will register each global security with or on behalf of a securities depository. Each global security will be deposited with the securities depository or its nominee or a custodian for the securities depository.

As long as the securities depository or its nominee is the registered holder of a global security representing debt securities, that person will be considered the sole owner and holder of the global security and the securities it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- (a) may not have the global security or any debt securities registered in their names;
- (b) may not receive or be entitled to receive physical delivery of certificated debt securities in exchange for the global security; and
- (c) will not be considered the owners or holders of the global security or any debt securities for any purposes under the applicable securities or the related mortgage or indenture.

We will make all payments of principal and any premium and interest on a global security to the securities depository or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depository or its nominee, which are called “participants” in this discussion, and to persons that hold beneficial interests through participants. When a global security representing debt securities is issued, the securities depository will credit on its book-entry,

registration and transfer system the principal amounts of debt securities the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- (a) the securities depository, with respect to participants' interests; and
- (b) any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depository may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. Neither we nor the Trustee or any agent of either of us will have any responsibility or liability for any aspect of the securities depository's or any participant's records relating to beneficial interests in a global security representing debt securities, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests.

### **Redemption**

We may redeem debt securities only upon notice mailed at least 30 but not more than 60 days before the date fixed for redemption. That notice may state that the redemption will be conditional upon the Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those debt securities on the date fixed for redemption and that if the Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and we will not be required to redeem those debt securities. If less than all the debt securities of a series are to be redeemed, the particular debt securities to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

We will not be required to:

- (a) issue, register the transfer of, or exchange any debt securities of a series during the fifteen (15) day period before the date the notice is mailed identifying the debt securities of that series that have been selected for redemption; or
- (b) register the transfer of or exchange any debt security of that series selected for redemption except the unredeemed portion of a debt security being partially redeemed.

### **Consolidation, Merger, Conveyance or Transfer**

The Indenture provides that, except upon an event of default, we may consolidate or merge with or into, or convey or transfer all or substantially all of our properties and assets to, another corporation or other entity. Any successor must, however, assume our obligations under the Indenture and the debt securities issued under it, and we must deliver to the Trustee a statement by certain of our officers and an opinion of counsel that affirm compliance with all conditions in the Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for us under the Indenture, and we will be relieved of our obligations under the Indenture and the debt securities.

### **Modification; Waiver**

We may modify the Indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of all series of debt securities that are affected by the modification, voting as one class. The consent of the holder of each outstanding debt security affected is, however, required to:

- (a) change the maturity date of the principal or any installment of principal or interest on that debt security;
- (b) reduce the principal amount, the interest rate or any premium payable upon redemption of that debt security;
- (c) reduce the amount of principal due and payable upon acceleration of maturity;
- (d) change the currency of payment of principal, premium or interest on that debt security;

- (e) impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- (f) reduce the percentage in principal amount of debt securities of any series required to modify the Indenture, waive compliance with certain restrictive provisions of the Indenture or waive certain defaults; or
- (g) with certain exceptions, modify the provisions of the Indenture governing modifications of the Indenture or governing waiver of covenants or past defaults.

In addition, we may modify the Indenture for certain other purposes, without the consent of any holders of debt securities.

The holders of a majority in principal amount of the outstanding debt securities of any series may waive, for that series, our compliance with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of the outstanding debt securities of all series under the Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any debt security or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding debt security of the series affected.

### **Events of Default**

The following are events of default under the Indenture with respect to any series of debt securities:

- (a) failure to pay principal of or any premium on any debt security of that series when due;
- (b) failure to pay when due any interest on any debt security of that series that continues for 60 days; for this purpose, the date on which interest is due is the date on which we are required to make payment following any deferral of interest payments by us under the terms of debt securities that permit such deferrals;
- (c) failure to make any sinking fund payment when required for any debt security of that series that continues for 60 days;
- (d) failure to perform the covenant described under “– Consolidation, Merger, Conveyance or Transfer”;
- (e) failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for 90 days after the Trustee gives, or the holders of at least 33% of the outstanding debt securities of that series give, us and, if such notice is given by the holders, the Trustee written notice of the default; and
- (f) certain bankruptcy, insolvency or reorganization events with respect to us.

In the case of the event of default listed above as item (e), the Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of debt securities of that series, together with the Trustee, may also extend the grace period. The grace period will be automatically extended if we have initiated and are diligently pursuing corrective action within the original grace period.

We may establish additional events of default for a particular series.

If an event of default with respect to debt securities of a series occurs and is continuing, then the Trustee or the holders of at least 33% in principal amount of the outstanding debt securities of that series may declare the principal amount of all debt securities of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment or decree for payment of the money due has been obtained, if:

- (a) we have paid or deposited with the Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Trustee; and

- (b) all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of debt securities unless those holders have offered the Trustee security or indemnity against the costs, expenses and liabilities which they might incur as a result. The holders of a majority in principal amount of the outstanding debt securities of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or the exercise of any power of the Trustee with respect to those debt securities. The Trustee may withhold notice of any default, except a default in the payment of principal or interest, or in the payment of any sinking or purchase fund installment, from the holders of any series if the Trustee in good faith considers it in the interest of the holders to do so.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that debt security on its maturity date or redemption date and to enforce those payments.

We are required to furnish each year to the Trustee a statement by certain of our officers to the effect that we are not in default under the Indenture or, if there has been a default, specifying the default and our status.

### **Payments; Paying Agent**

The paying agent will pay the principal of any debt securities only if those debt securities are surrendered to it. The paying agent will pay interest on debt securities issued as global securities by wire transfer to the holder of those global securities. The paying agent will pay interest on debt securities that are not in global form at its office or, at our option:

- (a) by wire transfer to an account at a banking institution in Canada that is designated in writing to the Trustee at least five business days prior to the date of payment by the person entitled to that interest; or
- (b) by cheque mailed to the address of the person entitled to that interest as that address appears in the security register for those debt securities.

The Trustee will act as paying agent for that series of debt securities, and the corporate trust office of the Trustee will be the office through which the paying agent acts. We may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that we have paid to the Trustee or a paying agent for principal, any premium or interest on any debt securities which remains unclaimed at the end of two years after that principal, premium or interest has become due will be repaid to us at our request. After repayment to us, holders should look only to us for those payments.

### **Satisfaction and Discharge, Defeasance and Covenant Defeasance**

Upon our written request, the Indenture shall be satisfied and discharged (except as to certain surviving rights and obligations specified in the Indenture) when:

- (a) either all debt securities have been delivered to the Trustee for cancellation or all debt securities not delivered to the Trustee for cancellation are due and payable within one year (at maturity or due to redemption) and we have deposited with the Trustee money or government obligations sufficient to pay and discharge such debt securities to the applicable maturity or redemption date (including principal, any premium and interest thereon);
- (b) we have paid or caused to be paid all other sums payable under the Indenture; and
- (c) we have delivered to the Trustee an officer's certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

The Indenture provides that we may be:

- (a) discharged from our obligations, with certain limited exceptions, with respect to any series of debt securities, as described in the Indenture, such a discharge being called a “defeasance” in this Prospectus Supplement; and
- (b) released from our obligations under certain restrictive covenants especially established with respect to any series of debt securities, as described in the Indenture, such a release being called a “covenant defeasance” in this Prospectus Supplement.

We must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those debt securities on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the debt securities defeased may not be accelerated because of an event of default under the Indenture. Following a covenant defeasance, the payment of debt securities may not be accelerated by reference to the covenants from which we have been released. A defeasance may occur after a covenant defeasance.

### **Concerning the Trustee**

Computershare Trust Company of Canada is the Trustee. Certain of our subsidiaries maintain deposit accounts and banking relationships with the Trustee or its respective affiliates. The Trustee or its respective affiliates may also serve as trustee or agent under other indentures and agreements pursuant to which we have outstanding securities or securities of certain of our subsidiaries are outstanding.

The Trustee will perform only those duties that are specifically set forth in the Indenture unless an event of default under the Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

### **Governing Law**

The Indenture, any supplemental indentures and the debt securities will be governed by, and construed in accordance with, the laws of the Province of Newfoundland and Labrador, Canada.

### **BOOK-ENTRY ONLY SYSTEM**

Except as otherwise provided below, the Notes will be issued in a “book-entry only” form and must be purchased or transferred through Participants in the depository service of CDS or its nominee which include securities brokers and dealers, banks and trust companies. On the Closing Date, we will cause a global certificate representing the Notes, or the Global Note, to be delivered to, and registered in the name of, CDS or its nominee. Interests in the Notes will be issued only in denominations of \$1,000 or integral multiples thereof. Except as otherwise provided below, no purchaser of Notes will be entitled to a certificate or other instrument from us or CDS evidencing that purchaser’s ownership, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a CDS Participant acting on behalf of the purchaser. Each purchaser of Notes will receive a customer confirmation of purchase from the registered dealer from which the Notes are purchased in accordance with the practices and procedures of the registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Notes. Physical certificates evidencing the Notes will not be issued to purchasers, except in limited circumstances, and registration will be made through the depository service of CDS.

None of us, the Agents or their respective affiliates will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Notes held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Notes; or (c) any advice or representation made by or with respect to CDS and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants, or the description thereof in this Prospectus Supplement. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, the Participants must look solely to CDS and persons other than Participants having an interest in the Notes must look solely to Participants for payments made by or on behalf of us to CDS in respect of the Notes. See “— Payment of Interest and Other Amounts”.

The ability of a beneficial owner of Notes to pledge such Notes or otherwise to take action with respect to such purchaser's interest in Notes (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

If: (a) such right is required by applicable law as determined by us; (b) the book-entry system ceases to exist; (c) CDS notifies us that it is unwilling or unable to continue to act as depository in connection with the Global Note and we are unable to locate a qualified successor; (d) we determine that CDS is no longer willing, able or qualified to discharge properly its responsibilities as holder of the Global Note and we are unable to locate a qualified successor; (e) we execute and deliver to the Trustee a written order to the effect that all or a part of the Global Note shall be so exchanged; (f) CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and we are unable to locate a qualified successor; (g) we determine that the Notes shall no longer be held as book-entry only Notes through CDS; or (h) after the occurrence of an Event of Default (as defined in the Indenture), CDS advises the Trustee that it has received written notification from Participants, acting on behalf of beneficial holders representing, in the aggregate, more than 50% of the aggregate principal amount of the outstanding Notes that the continuance of CDS' book-entry registration system in respect of the Notes is no longer in their best interest, then certificates representing the Notes in fully registered form shall be issued to the beneficial holders of interests in the Global Note or their nominees.

### **Manner of Effecting Transfer or Redemption**

A transfer or redemption of Notes will be effected through the clearing, depository and entitlement services maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Persons who are holders of Notes who are not Participants, but who wish to purchase, sell or otherwise transfer beneficial ownership of or other interests in Notes, may do so only through Participants.

### **Payment of Interest and Other Amounts**

Payment of principal, interest and premium, if any, on the Notes will be made by us to CDS or its nominee, as the case may be, as registered holder of the Notes. As long as CDS or its nominee is the registered owner of the Notes, CDS or its nominee, as the case may be, will be considered the sole owner of the Notes for the purposes of receiving payments on the Notes. We will not withhold any amount from the payment of principal, interest or premium to any holder resident outside of Canada for the purposes of the Tax Act unless required to do so by law. The Indenture does not make provision for increased interest or payment of any other amount where we are required by law to withhold in respect of a holder resident outside of Canada.

We expect that CDS or its nominee, upon receipt of any payment in respect of the Notes, will credit, on the date an amount is payable, the Participants' accounts with payments in an amount proportionate to their respective beneficial interest in the principal amount of such Notes as shown on the records of CDS or its nominee. We also expect that payments by the Participants to the owners of beneficial interests in such Notes held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants. Our responsibility and liability in respect of the Notes issued in book-entry form is limited to making payment of any amount due on such Notes to CDS or its nominee.

### **USE OF PROCEEDS**

If the full aggregate amount of the Notes being offered hereby is sold, the net proceeds of the Offering will be approximately \$497,355,000, determined after deducting the Agents' Fee and the expenses of the Offering, which expenses are estimated to be \$700,000. The net proceeds of the Offering will be used to repay short-term indebtedness and for general corporate purposes.

### **PLAN OF DISTRIBUTION**

Pursuant to an agreement, or the Agency Agreement, dated December 7, 2016 between us and the Agents, the Agents have agreed to use their reasonable best efforts to obtain purchasers to purchase on the Closing Date, subject to the terms and conditions contained therein, up to \$500 million aggregate principal amount of the Notes for total consideration of up to \$499,905,000 plus accrued interest, if any, from December 12, 2016 to the date of delivery, payable in cash to us against delivery of the Notes. The Agency Agreement provides that the Agents will be paid an agency fee, or the Agents' Fee, on account of services rendered equal to \$3.70 per \$1,000 principal amount of Notes sold. In the event the full amount of the Notes is not sold, the Agents' Fee will be pro-rated accordingly. While the Agents have agreed to use their best efforts to sell the Notes offered hereby, they are not obligated to purchase any Notes which are not sold.

Assuming the sale of the aggregate principal amount of \$500 million Notes, the total price to the public will be \$499,905,000, the aggregate Agents' Fee will be \$1,850,000 and the net proceeds to us will be \$497,355,000, after deducting the expenses of the Offering estimated at \$700,000 which, together with the Agents' Fee, will be paid out of our general funds.

Subscriptions for the Notes will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on the Closing Date, but not later than December 16, 2016.

**There is no market through which the Notes may be sold and purchasers of Notes may not be able to resell the Notes purchased under this Prospectus Supplement. We do not intend to have the Notes listed on any securities exchange. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. See “Risks Related to the Notes – Active trading markets for the Notes may not develop”.**

Pursuant to rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Notes ends and all stabilization arrangements relating to the Notes are terminated, bid for or purchase the Notes. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the applicable Agent, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period. In connection with the Offering, the Agents may, subject to applicable laws, effect transactions that are intended to stabilize or maintain the market price of the Notes offered hereunder at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time without notice.

The Notes have not been, and will not be, registered under the Securities Act, or any state securities laws and may not be offered, delivered, directly or indirectly, or sold in the United States or to, or for the account or benefit of any person in the United States unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and any applicable state securities laws is available. This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

The obligations of the Agents under the Agency Agreement are several and not joint and several and may be terminated at their discretion in certain circumstances, including upon the occurrence of certain stated events. Under the terms of the Agency Agreement, the Agents may be entitled to indemnification by us against certain liabilities, including liabilities under Canadian securities legislation as a result of the Offering, or to contribution with respect to payments which such Agents may be required to make in respect thereof.

Each of Scotia Capital, BMO Capital Markets, TDSI, CIBC World Markets, RBC Capital Markets, Desjardins Securities, NB Financial, HSBC Securities and Merrill Lynch is an affiliate of a financial institution that has, either solely or as a member of a syndicate of financial institutions, extended credit facilities to, or holds other indebtedness of, us and/or our subsidiaries. Consequently, we may be considered a “connected issuer” of the Agents within the meaning of applicable securities legislation. None of these Agents will receive any direct benefit from the Offering other than the Agents' Fee relating to the Offering. The decision to distribute the Notes hereunder and the determination of the terms of the Offering were made through negotiation between us and the Agents. No bank had any involvement in such decision or determination. As at December 5, 2016, an aggregate of approximately \$2.1 billion was outstanding under the Existing Indebtedness. We and/or our subsidiaries are in material compliance with our respective obligations under the Existing Indebtedness. Since entering into the Existing Indebtedness, no breach thereunder has been waived by the lenders thereof; there has been no material change in our or our subsidiaries' financial position or condition, except as otherwise described in this Prospectus Supplement and the Prospectus (including in the documents incorporated by reference herein and therein); and the value of any security for any such Existing Indebtedness has not changed, except in the ordinary course of business.

Certain of the Agents and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to us, and Stikeman Elliott LLP, counsel to the Agents, collectively, Counsel, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder of Notes, or a Holder, who acquires, as beneficial owner, Notes pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times: (a) is resident, or is deemed to be resident, in Canada; (b) holds Notes as capital property; and (c) deals at arm's length with, and is not affiliated with, us. Generally, a Note will be considered to be capital property to a Holder provided that the Holder does not hold the Note in the course of carrying on a business and has not acquired the Note in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Notes as capital property may, in certain circumstances, be entitled to have the Notes and all other "Canadian securities" (as defined in the Tax Act) owned by such Holders in the taxation year of the election and all subsequent taxation years be deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders are advised to consult their tax advisors to determine whether such an election is available and desirable in their particular circumstances.

This summary is not applicable to a Holder: (a) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (b) an interest in which would be a "tax shelter investment", as defined in the Tax Act; (c) that has elected to report its "Canadian tax results" in a currency other than the Canadian currency pursuant to the "functional currency" reporting rules, as all of those terms are defined in the Tax Act; or (d) that enters into a "derivative forward agreement" in respect of any Note, as defined in the Tax Act. Any such Holder should consult its own tax advisor with respect to an investment in the Notes.

This summary is based on the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof, or the Proposed Amendments, and Counsel's understanding of the current published administrative practices of the Canada Revenue Agency. This summary assumes that 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, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ 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 any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, Holders and prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Notes pursuant to this Offering, having regard to their particular circumstances. This summary does not address any tax considerations applicable to persons other than Holders and such persons should consult their own tax advisors regarding the consequences of acquiring, holding and disposing of Notes under the Tax Act and any jurisdiction in which they may be subject to tax.**

### **Taxation of Interest on Notes**

A Holder 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 a Note that accrues to the Holder to the end of that taxation year or that has become receivable by the Holder or is received by the Holder before the end of that taxation year, except to the extent that such amount was included in computing its income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing income for a taxation year any interest on a Note that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that such amount was included in computing the Holder's income for a preceding taxation year.

Any premium paid by us to a Holder because of the exercise by us of the right to redeem the Notes before the maturity thereof will generally be deemed to be interest received at the time by the Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of, the interest that would have been paid or payable by us on the Notes for a taxation year ending after the redemption.



## **Disposition of Notes**

Upon a disposition or deemed disposition, including upon maturity or redemption or purchase for cancellation, interest accrued on the Note to the date of disposition will be included in computing the Holder's income for the year of disposition, except to the extent that it was included in computing the Holder's income for that or a preceding taxation year, and will be excluded from the Holder's proceeds of disposition of the Note.

A disposition or deemed disposition of a Note by a Holder, including upon maturity or redemption or purchase for cancellation, will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any accrued interest and reasonable costs of disposition, are greater (or less) than the Holder's adjusted cost base thereof.

Generally, one-half of the amount of any capital gain, or a taxable capital gain, realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of the amount of any capital loss, or an allowable capital loss, realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the 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. A capital gain realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

## **Additional Refundable Tax**

A Holder that is throughout a taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of interest and taxable capital gains earned on or realized in respect of a Note.

## **RISKS RELATED TO THE NOTES**

An investment in the Notes offered hereby involves certain risks. A prospective purchaser of Notes should carefully consider the risk factors described under:

- (a) the heading "Business Risk Management" found on pages 43 to 59 of the Annual MD&A;
- (b) note 32 "Financial Risk Management" found on pages 69 to 73 of the Annual Financial Statements;
- (c) the heading "Business Risk Management" found on page 28 to 29 of the Interim MD&A;
- (d) note 19 "Financial Risk Management" found on pages F-27 to F-31 of the Interim Financial Statements;
- (e) the heading "Risk Factors" found on pages D-14 to D-22 of the Management Information Circular, which include certain risks that relate to the business and operations of ITC;
- (f) "Schedule G – Risk Factors" to the Management Information Circular;
- (g) "Schedule A – Risk Factors" to the ITC Business Acquisition Report;
- (h) the heading "Item 1A. Risk Factors" found on pages 48 to 51 of "Schedule B – ITC Interim Financial Statements and MD&A" to the ITC Business Acquisition Report, which include certain risks that relate to the business and operations of ITC; and
- (i) the heading "Risk Factors" found on pages 23 to 25 of the accompanying Prospectus,

each of which is incorporated by reference herein. In addition, prospective purchasers of Notes should carefully consider, in light of their own financial circumstances, the risk factors set out below which relate to the Notes, as well as the other information contained

in this Prospectus Supplement, the Prospectus, the documents incorporated by reference herein and therein and in all subsequently filed documents incorporated by reference, before making an investment decision.

### **Changes in our credit ratings may adversely affect the value of the Notes**

In connection with this Offering, we expect to receive credit ratings for the Notes from DBRS, S&P and Moody's. Such ratings are limited in scope, and may not address all material risks related to the structure of, market for or other factors related to the value of the Notes, but rather reflect only the view of each rating agency at the time the rating is issued. There can be no assurance that the credit ratings assigned to the Notes will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by one or more of the rating agencies if, in such rating agency's judgment, circumstances so warrant.

Credit rating agencies evaluate the industries in which we operate as a whole and may change their credit rating for us based on their overall view of such industries. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the Notes and increase our corporate borrowing costs.

### **The Indenture does not limit the amount of debt we or our subsidiaries may incur or restrict our ability to engage in other transactions that may adversely affect holders of the Notes**

The Indenture under which the Notes will be issued does not limit the amount of debt that we or our subsidiaries may incur, including secured debt. The Indenture does not contain any financial covenants or other provisions that would afford the holders of the Notes any substantial protection in the event we participate in a highly leveraged transaction. In addition, the Indenture does not limit our ability to pay dividends, make distributions or repurchase Common Shares. As a result of the foregoing, when evaluating the terms of the Notes, you should be aware that the terms of the Indenture and the Notes do not restrict our ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the Notes.

### **We may be unable to generate the cash flow to service our debt obligations, including the Notes**

We cannot assure you that our business will generate sufficient cash flow to enable us to service our indebtedness, including the Notes, or to make anticipated capital expenditures. Our ability to pay our expenses and satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control. Based upon current levels of operations, we believe cash flow from operations and available cash will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures and scheduled payments of principal and interest on our indebtedness, including the Notes. However, if we are unable to generate sufficient cash flow from operations or to borrow sufficient funds in the future to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt (including the Notes) or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or incur additional indebtedness on terms acceptable to us, or at all.

### **We will have a substantial amount of indebtedness, which may adversely affect our cash flow and ability to operate our business and make payments on the Notes**

The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. As of September 30, 2016, on a *pro forma* basis after giving effect to: (a) this Offering; (b) the acquisition of ITC which was completed on October 14, 2016; (c) the financing of the acquisition; and (d) the changes in long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, our consolidated indebtedness would have been an estimated \$21.9 billion.

If we incur any additional obligations that rank equally with the Notes, the holders of those obligations will be entitled to share ratably with the holders of the Notes and our previously issued senior indebtedness in any proceeds distributed upon our insolvency, liquidation, reorganization, dissolution or other winding up. This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all these creditors, all or a portion of the Notes then outstanding would remain unpaid.

**The Notes are not secured by any of our assets and any secured creditors would have a prior claim on our assets**

The Notes are not secured by any of our assets. The Indenture governing the Notes does not contain any restrictions on the amount of additional indebtedness that we or our subsidiaries may incur, including with respect to secured debt. If we incur any secured debt, our assets will be subject to prior claims by our secured creditors. If we become insolvent or are liquidated, or if payment under any agreements governing any secured debt is accelerated, the lenders under our secured debt agreements would be entitled to exercise the remedies available to a secured lender. Accordingly, the lenders would have a prior claim on our assets to the extent of their liens, and it is possible that there would be insufficient assets remaining from which claims of the holders of these Notes can be satisfied. The Notes will be effectively subordinated to any of our existing and future secured obligations to the extent of the value of the collateral securing such obligations. As of September 30, 2016, on a *pro forma* basis after giving effect to: (a) this Offering; (b) the acquisition of ITC which was completed on October 14, 2016; and (c) the financing of the acquisition, we had approximately \$4.0 billion of secured obligations.

**The Notes are structurally subordinated to any indebtedness of our subsidiaries, and we may be unable to generate cash flow to service our debt obligations if our subsidiaries are unable to distribute cash to us or repay loans from us**

The Notes will also be structurally subordinated to all liabilities and any preference or preferred shares of our subsidiaries. As of September 30, 2016, on a *pro forma* basis after giving effect to: (a) this Offering; (b) the acquisition of ITC which was completed on October 14, 2016; (c) the financing of the acquisition; and (d) the changes in long-term debt, capital lease and finance obligations from September 30, 2016 up to and including December 5, 2016, our subsidiaries (including ITC and its subsidiaries) would have had approximately \$15.8 billion of indebtedness. We are a holding company and, as such, have no revenue-generating operations of our own other than our capital raising activities. We are largely dependent on the financial results of our subsidiaries and the related cash payments from these subsidiaries. We periodically rely on external financings to provide the cash that is necessary to make future investments, service debt incurred by us, pay administrative costs and pay dividends. Our subsidiaries are separate legal entities and have no independent obligation to pay dividends to us. Prior to paying dividends to us, the subsidiaries have financial obligations that must be satisfied, including, among others, their operating expenses and obligations to creditors. Furthermore, our utilities are required by regulation to maintain a minimum equity-to-total capital ratio that may restrict their ability to pay dividends to us or may require that we contribute capital to them. The future enactment of laws or regulations may prohibit or further restrict the ability of our subsidiaries to pay upstream dividends or to repay intercorporate indebtedness. In addition, in the event of a subsidiary's liquidation or reorganization, our right to participate in a distribution of assets is subject to the prior claims of the subsidiary's creditors. As a result, our ability to generate cash flow to service our debt obligations is reliant on the ability of our subsidiaries to generate sustained earnings and cash flows and to pay dividends and repay loans.

**Our existing credit facilities contain, and agreements that we may enter into in the future may contain, covenants that could restrict our financial flexibility**

Our existing credit facilities, and the credit facilities of our subsidiaries, contain covenants imposing certain requirements on our business, including covenants regarding the ratio of indebtedness to total capitalization. Furthermore, our subsidiaries periodically issue long-term debt, historically consisting of both secured and unsecured indebtedness. These third-party debt agreements contain covenants that may limit our ability to take advantage of potential business opportunities as they arise and may adversely affect the conduct of our and our utilities' current business, including restricting our ability to finance future operations and capital needs and limiting our subsidiaries' ability to engage in other business activities. Other covenants place or could place restrictions on our and our utilities' ability to among other things:

- (a) incur additional debt;
- (b) create liens;
- (c) enter into transactions with affiliates;
- (d) sell or transfer assets; and
- (e) consolidate or merge.

Agreements we and our operating subsidiaries enter into in the future may also have similar or more restrictive covenants, especially if the general credit market deteriorates. A breach of any covenant in the existing credit facilities or the agreements governing our other indebtedness would result in an event of default. Certain events of default may trigger automatic acceleration of payment of the underlying obligations or may trigger acceleration of payment if not remedied within a specified period. Events of default under one agreement may trigger events of default under other agreements, although our regulated utilities are not subject to the risk of default of affiliates. If payments are accelerated as a result of an event of default, the principal and interest on such borrowing would become due and payable immediately. If that should occur, we may not be able to make all of the required payments or borrow sufficient funds to refinance the accelerated debt obligations. Even if new financing was then available, it may not be on terms that are acceptable to us.

#### **Active trading markets for the Notes may not develop**

The Notes will constitute a new issue of securities for which there is no existing trading market. We do not intend to apply to list the Notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the Notes will ever develop or will be maintained. If a trading market does not develop or is not maintained, you may find it difficult or impossible to resell the Notes. Further, there can be no assurance as to the liquidity of any market that may develop for the Notes, your ability to sell the Notes or the price at which you will be able to sell the Notes. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the Notes and the markets for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

- (a) the number of holders of the Notes;
- (b) the interest of securities dealers in making a market for the Notes;
- (c) our credit ratings with major credit rating agencies; and
- (d) the level, direction and volatility of market interest rates generally.

#### **Changes in interest rates may cause the market price or value of the Notes to change**

Prevailing interest rates will affect the market price or value of the Notes. Assuming all other factors remain unchanged, the market price or value of the Notes may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

#### **Risk of Optional Redemption**

We may elect to redeem the Notes prior to their maturity, in whole or in part, at any time or from time to time, especially when prevailing interest rates are lower than the rate borne by the Notes. If prevailing interest rates are lower than the interest rate borne by the Notes at the time of redemption, a purchaser may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate that is at least equal to the interest rate on the Note being redeemed. See “Description of the Notes – Optional Redemption”.

#### **Canadian bankruptcy and insolvency laws may impair the Trustee’s ability to enforce remedies under the Indenture governing the Notes or the Notes themselves**

The rights of the Trustee who represents the holders of the Notes to enforce remedies could be delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to us. For example, both the *Bankruptcy and Insolvency Act* (Canada) and the *Companies’ Creditors Arrangement Act* (Canada) contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal to be voted on by the various classes of its affected creditors. A restructuring proposal, if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class, including those creditors that did not vote to accept the proposal. Moreover, this legislation, in certain instances, permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default

under the applicable debt instrument, during the period that the stay against proceedings remains in place. In addition, it may be possible in certain circumstances to restructure certain debt obligations under the corporate governing statute applicable to the debtor.

The powers of the court under the *Bankruptcy and Insolvency Act* (Canada), and particularly under the *Companies' Creditors Arrangement Act* (Canada), have been interpreted and exercised broadly so as to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under the Notes would be made during any proceedings in bankruptcy, insolvency or other restructuring, whether or when the Trustee could exercise its rights under the Indenture governing the Notes or whether and to what extent holders of the Notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the Trustee.

### **LEGAL MATTERS**

Certain legal matters relating to this Offering will be passed upon on our behalf by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John's and on behalf of the Agents by Stikeman Elliott LLP, Toronto. At the date hereof, partners and associates of each of Davies Ward Phillips & Vineberg LLP, McInnes Cooper and Stikeman Elliott LLP own beneficially, directly or indirectly, less than 1% of any of our securities or any securities of our associates or affiliates.

### **TRUSTEE AND PAYING AGENT**

Computershare Trust Company of Canada, at its corporate trust office, is the Trustee under the Indenture. The Trustee, at its corporate trust office, is also the paying agent for the Notes.

## GLOSSARY

Unless we have indicated otherwise, or the context otherwise requires, references in this Prospectus Supplement to “Fortis”, “we”, “us” and “our” refer to Fortis Inc. and our consolidated subsidiaries.

“**Agency Agreement**” refers to the agency agreement dated December 7, 2016 between us and the Agents.

“**Agents**” refers collectively to Scotia Capital, BMO Capital Markets, TDSI, CIBC World Markets, RBC Capital Markets, Desjardins Securities, NB Financial, HSBC Securities, Merrill Lynch and Casgrain & Company Limited.

“**Agents’ Fee**” has the meaning set forth in the section entitled “Plan of Distribution”.

“**allowable capital loss**” has the meaning set forth in the section entitled “Canadian Federal Income Tax Considerations – Disposition of Notes”.

“**Annual Financial Statements**” refers to our audited comparative consolidated financial statements as at December 31, 2015 and December 31, 2014 and for the fiscal years ended December 31, 2015 and 2014, together with the notes thereto and the auditors’ report thereon dated February 17, 2016.

“**Annual MD&A**” refers to our Management Discussion and Analysis of financial condition and results of operations dated February 17, 2016 for the fiscal year ended December 31, 2015.

“**Base Rate Complaints**” refers to two complaints filed with FERC covering two refund periods running consecutively from November 12, 2013 through May 11, 2016 to which International Transmission Company, Michigan Electric Transmission Company, LLC and ITC Midwest LLC are subject, as described in detail in “Schedule E – ITC Historical Financial Statements and Management’s Discussion and Analysis” in the Management Information Circular and in the interim financial statements of ITC included in the ITC Business Acquisition Report, in each case incorporated by reference in this Prospectus Supplement.

“**BMO Capital Markets**” refers to BMO Nesbitt Burns Inc.

“**Board of Directors**” refers to our board of directors.

“**Bonus Depreciation**” refers to federal U.S. bonus tax depreciation reflected in the interim financial statements and management discussion and analysis of ITC included in the ITC Business Acquisition Report incorporated by reference in this Prospectus Supplement, which Bonus Depreciation will negatively affect ITC’s future revenues and net income, and which ITC is currently appealing. See “Schedule A – Risk Factors – ITC Midwest’s and METC’s elections to opt out of bonus depreciation have been challenged.” to the ITC Business Acquisition Report.

“**business day**” refers to, with respect to the Notes, a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in Toronto, Ontario or St. John’s, Newfoundland and Labrador, Canada are authorized or obligated by law or executive order to remain closed, or (c) a day on which the corporate trust office of the Trustee is closed for business.

“**Canada Yield**” refers to, on any date, the yield to maturity on such date as determined by the arithmetic average (rounded to three decimal places) of the yields quoted at 10:00 a.m. (Toronto time) by two major Canadian investment dealers selected by us in accordance with the Indenture, assuming semi-annual compounding and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to October 12, 2023.

“**Canada Yield Price**” has the meaning set forth in the section entitled “Description of the Notes – Optional Redemption”.

“**CDS**” refers to CDS Clearing and Depository Services Inc.

“**Central Hudson**” refers to Central Hudson Gas & Electric Corporation.

“**CIBC World Markets**” refers to CIBC World Markets Inc.

“**Closing Date**” has the meaning set forth on the cover page to this Prospectus Supplement.

“**Common Shares**” refers to our common shares.

“**Counsel**” has the meaning set forth in the section entitled “Canadian Federal Income Tax Considerations”.

“**covenant defeasance**” has the meaning set forth in the section entitled “Description of the Principal Indenture – Satisfaction and Discharge, Defeasance and Covenant Defeasance”.

“**DBRS**” refers to DBRS Limited.

“**defeasance**” has the meaning set forth in the section entitled “Description of the Principal Indenture – Satisfaction and Discharge, Defeasance and Covenant Defeasance”.

“**Desjardins Securities**” refers to Desjardins Securities Inc.

“**DPSP**” refers to a deferred profit sharing plan.

“**Exempt Plans**” has the meaning set forth in the section entitled “Eligibility for Investment”.

“**Existing Indebtedness**” has the meaning set forth on the cover page to this Prospectus Supplement.

“**Final Term Sheet**” refers to the template version of the final term sheet in respect of the Notes filed on December 7, 2016.

“**First Preference Shares**” refers to our first preference shares.

“**First Supplemental Indenture**” has the meaning set forth in the section entitled “Description of the Notes – General”.

“**FortisAlberta**” refers to FortisAlberta Inc.

“**Global Note**” has the meaning set forth in the section entitled “Book-Entry Only System”.

“**Holder**” has the meaning set forth in the section entitled “Canadian Federal Income Tax Considerations”.

“**HSBC Securities**” HSBC Securities (Canada) Inc.

“**Indenture**” has the meaning set forth in the section entitled “Description of the Notes – General”.

“**Indicative Term Sheet**” refers to the template version of the indicative term sheet in respect of the Notes filed on December 7, 2016.

“**Interim Financial Statements**” refers to our unaudited comparative interim consolidated financial statements as at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015, together with the notes thereon.

“**Interim MD&A**” refers to our Management Discussion and Analysis of financial condition and results of operations for the three and nine months ended September 30, 2016.

“**ITC**” refers to ITC Holdings Corp.

“**ITC Business Acquisition Report**” means the business acquisition report dated November 23, 2016 with respect to the acquisition of ITC completed on October 14, 2016.

“**ITC Regulated Operating Subsidiaries**” refers, collectively, to International Transmission Company, Michigan Electric Transmission Company, LLC, ITC Midwest LLC and ITC Great Plains, LLC.

“**Management Information Circular**” refers to our Management Information Circular dated March 18, 2016 prepared in connection with our annual and special meeting of shareholders held on May 5, 2016.

“**Merrill Lynch**” refers to Merrill Lynch Canada, Inc.

“**Moody’s**” refers to Moody’s Investors Service, Inc.

“**NB Financial**” refers to National Bank Financial Inc.

“**Notes**” refers to the \$500 million aggregate principal amount of 2.85% senior unsecured notes due December 12, 2023 offered under this Prospectus Supplement.

“**Offering**” refers to the offering of the Notes under this Prospectus Supplement.

“**Participant**” refers to a participant of CDS.

“**Principal Indenture**” has the meaning set forth in the section entitled “Description of the Notes – General”.

“**Proposed Amendments**” has the meaning set forth in the section entitled “Canadian Federal Income Tax Considerations”.

“**Prospectus**” refers to the short form base shelf prospectus dated November 30, 2016, as amended or supplemented from time to time, to which this Prospectus Supplement relates.

“**Prospectus Supplement**” refers to this prospectus supplement to the Prospectus.

“**RBC Capital Markets**” refers to RBC Dominion Securities Inc.

“**RRIF**” refers to a registered retirement income fund.

“**RRSP**” refers to a registered retirement savings plan.

“**S&P**” refers to Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation.

“**Scotia Capital**” refers to Scotia Capital Inc.

“**Securities Act**” refers to the *U.S. Securities Act of 1933*, as amended.

“**taxable capital gain**” has the meaning set forth in the section entitled “Canadian Federal Income Tax Considerations – Disposition of Notes”.

“**Tax Act**” refers to, collectively, the *Income Tax Act* (Canada) and the regulations thereunder.

“**TDSI**” refers to TD Securities Inc.

“**TFSA**” refers to a tax-free savings account.

“**Trustee**” refers to Computershare Trust Company of Canada.

“**UNS Energy**” refers to, collectively, Tucson Electric Power Company, UNS Gas, Inc. and UNS Electric, Inc.



Further, as used in this Prospectus Supplement, the abbreviations contained herein have the meanings set forth below.

|           |  |
|-----------|--|
| FERC      | U.S. Federal Energy Regulatory Commission                      |
| LNG       | liquefied natural gas  |
| NYSE      | New York Stock Exchange  |
| ROE       | return on common shareholders' equity                          |
| SEDAR     | Canadian System for Electronic Document Analysis and Retrieval |
| TSX       | Toronto Stock Exchange   |
| U.S.      | United States of America                                       |
| U.S. GAAP | U.S. generally accepted accounting principles                  |

## CERTIFICATE OF THE AGENTS

Dated: December 7, 2016

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

SCOTIA CAPITAL INC.

(SIGNED) GREG LAWRENCE

BMO NESBITT BURNS INC.

(SIGNED) GRANT WILLIAMS

TD SECURITIES INC.

(SIGNED) HAROLD R. HOLLOWAY

CIBC WORLD MARKETS INC.

(SIGNED) SCOTT BURROWS

RBC DOMINION SECURITIES INC.

(SIGNED) ROBERT M. BROWN

DESJARDINS SECURITIES INC.

(SIGNED) MICHAEL GIANANTE

NATIONAL BANK FINANCIAL INC.

(SIGNED) TUSHAR KITTUR

HSBC SECURITIES (CANADA) INC.

(SIGNED) DAVID LOH

MERRILL LYNCH CANADA, INC.

(SIGNED) JAMIE W. HANCOCK

CASGRAIN & COMPANY LIMITED

(SIGNED) ROGER CASGRAIN