

*This prospectus supplement (the "Prospectus Supplement"), together with the accompanying short form base shelf prospectus dated May 10, 2012 to which it relates, as amended or supplemented (the "Prospectus"), and each document incorporated or deemed to be incorporated by reference in this Prospectus Supplement and in the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may lawfully be offered for sale and therein only by persons permitted to sell such securities. See "Plan of Distribution".*

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

*Information has been incorporated by reference in this Prospectus Supplement and the accompanying Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, 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). The securities being offered under this Prospectus Supplement and the accompanying Prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws, and may not be offered or sold within the United States unless the securities are registered under the 1933 Act or an exemption from the registration requirements of the 1933 Act is available. See "Plan of Distribution".*

New Issue

July 9, 2013

**PROSPECTUS SUPPLEMENT  
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED MAY 10, 2012**



**10,000,000 CUMULATIVE REDEEMABLE FIXED RATE RESET  
FIRST PREFERENCE SHARES, SERIES K**

This Prospectus Supplement, together with the Prospectus to which it relates, qualifies for distribution (the "Offering") 10,000,000 Cumulative Redeemable Fixed Rate Reset First Preference Shares, Series K (the "Series K First Preference Shares") of Fortis Inc. ("Fortis" or the "Corporation") which are being offered and sold pursuant to the provisions of an underwriting agreement (the "Underwriting Agreement") dated July 9, 2013 among Fortis and TD Securities Inc. ("TDSI"), CIBC World Markets Inc. ("CIBC"), Scotia Capital Inc. ("Scotia Capital"), BMO Nesbitt Burns Inc. ("BMO"), National Bank Financial Inc. ("NB Financial"), RBC Dominion Securities Inc. ("RBC"), Desjardins Securities Inc. ("Desjardins Securities"), Canaccord Genuity Corp. and HSBC Securities (Canada) Inc. ("HSBC Securities") (collectively, the "Underwriters"). The Series K First Preference Shares will be issued and sold by Fortis to the Underwriters at the price of \$25.00 (the "Offering Price") per Series K First Preference Share. The Offering Price was determined by negotiation between the Corporation and the Underwriters.

The holders of Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation (the "Board of Directors") for the initial period commencing on the date of original issue to, but excluding March 1, 2019 (the "Initial Fixed Rate Period") at a rate of \$1.00 per share per annum payable in equal quarterly instalments of \$0.25 per share on the first day of March, June, September and December of each year. Assuming a closing date of July 18, 2013, the first dividend will be payable on September 1, 2013 in the amount of \$0.1233 per Series K First Preference Share.

For each five-year period after the Initial Fixed Rate Period (each, a "Subsequent Fixed Rate Period"), the holders of Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the first day of March, June, September and December of each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for each ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period (the "Fixed Rate Calculation Date") and will be equal to the sum of the Government of Canada Bond Yield (as defined herein) on the Fixed Rate Calculation Date plus 2.05%. See "Details of the Offering – Specific Provisions of Series K First Preference Shares".

**Option to Convert into Series L First Preference Shares**

The holders of Series K First Preference Shares will have the right, at their option, to convert any or all of their Series K First Preference Shares into an equal number of Cumulative Redeemable Floating Rate First Preference Shares, Series L of the Corporation (the "Series L First Preference Shares"), subject to certain conditions, on March 1, 2019, and on March 1 every fifth year thereafter (each, a "Series K Conversion Date"). The holders of Series L First Preference Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the first day of March, June, September and December of each year (the initial quarterly dividend period and each subsequent quarterly dividend period referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.05% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined by the Corporation on the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See "Details of the Offering – Specific Provisions of Series L First Preference Shares".

On March 1, 2019, and on March 1 every fifth year thereafter, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or, from time to time, any part of the outstanding Series K First Preference Shares by the payment of \$25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. See "Details of the Offering – Specific Provisions of Series K First Preference Shares".

Holders of Series L First Preference Shares will have the right, at their option, to convert any or all of their Series L First Preference Shares into Series K First Preference Shares, subject to certain conditions, on March 1, 2024 and on March 1 every fifth year thereafter (each, a "Series L Conversion Date"). See "Details of the Offering – Specific Provisions of Series L First Preference Shares".

On each Series L Conversion Date, the Corporation may, at its option, redeem for cash all or any part of the outstanding Series L First Preference Shares by the payment of \$25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. On any date after March 1, 2019 that is not a Series L Conversion Date, the Corporation may, at its option, at any time redeem for cash all or any part of the outstanding Series L First Preference Shares by the payment of \$25.50 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption. Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. See "Details of the Offering – Specific Provisions of Series L First Preference Shares".

The Series K First Preference Shares and the Series L First Preference Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series K First Preference Shares or Series L First Preference Shares, as applicable. See "Risk Factors".

**There is currently no market through which the Series K First Preference Shares may be sold and purchasers may not be able to resell securities purchased under this Prospectus Supplement. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "Risk Factors".** The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series K First Preference Shares distributed under this Prospectus Supplement and the Prospectus and the Series L First Preference Shares into which the Series K First Preference Shares are convertible. Listing of the Series K First Preference Shares and the Series L First Preference Shares will be subject to the Corporation fulfilling all of the listing requirements of the TSX on or before October 6, 2013.

**An investment in the Series K First Preference Shares involves certain risks that should be considered by a prospective purchaser. See "Risk Factors" and "Special Note Regarding Forward-Looking Statements".**

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## Price: \$25.00 per share to initially yield 4.00% per annum

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	<u>Price to the Public</u>	<u>Underwriters' Fee</u> <sup>(1)</sup>	<u>Net Proceeds to the Corporation</u> <sup>(2)</sup>
Per share.....	\$25.00	\$0.75	\$24.25
Total <sup>(3)</sup> .....	\$250,000,000	\$7,500,000	\$242,500,000

<sup>(1)</sup> The Underwriters' fee is \$0.25 per share for each Series K First Preference Share sold to certain institutions and \$0.75 per share for all other Series K First Preference Shares purchased by the Underwriters (the "Underwriters' Fee"). The Underwriters' Fee indicated in the table assumes that no Series K First Preference Shares are sold to such institutions.

<sup>(2)</sup> Before deducting expenses of the Offering estimated at \$650,000 which will be paid out of the general funds of Fortis. See "Plan of Distribution".

<sup>(3)</sup> The Corporation has granted to the Underwriters an option (the "Underwriters' Option"), exercisable in whole or in part at any time up to 48 hours prior to the closing time of the Offering on the Closing Date (as defined below) to purchase up to 2,000,000 additional Series K First Preference Shares (the "Additional Shares") at the Offering Price. If the Underwriters' Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Corporation" will be \$300,000,000, \$9,000,000 and \$291,000,000 respectively. This Prospectus Supplement also qualifies the distribution of the Additional Shares issuable on the exercise of the Underwriters' Option. See "Plan of Distribution".

<u>Underwriters' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Underwriters' Option	2,000,000 Series K First Preference Shares	Up to 48 hours prior to the closing time of the Offering on the Closing Date	\$25.00 per Series K First Preference Share

The Corporation's First Preference Shares, Series C, First Preference Shares, Series E, First Preference Shares, Series F, First Preference Shares, Series G, First Preference Shares, Series H and First Preference Shares, Series J are listed on the TSX under the symbols "FTS.PR.C", "FTS.PR.E", "FTS.PR.F", "FTS.PR.G", "FTS.PR.H" and "FTS.PR.J", respectively. On July 8, 2013, the closing price of the First Preference Shares, Series C, First Preference Shares, Series E, First Preference Shares, Series F, First Preference Shares, Series G, First Preference Shares, Series H, and First Preference Shares, Series J on the TSX was \$25.19, \$26.08, \$24.25, \$24.72, \$24.40 and \$24.37, respectively.

Each of TDSI, CIBC, Scotia Capital, BMO, NB Financial, RBC, Desjardins Securities and HSBC Securities 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, the Corporation and/or its subsidiaries. All or a portion of the net proceeds from the Offering will be used to repay indebtedness of the Corporation, a portion of which may be owing to certain of such banks or their affiliates. **Consequently, the Corporation may be considered a "connected issuer" of these Underwriters within the meaning of applicable securities legislation. See "Use of Proceeds" and "Plan of Distribution".**

The Underwriters, as principals, conditionally offer the Series K First Preference Shares, subject to prior sale, if, as and when issued, sold and delivered by the Corporation to, and accepted by, the Underwriters in accordance with the terms and conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John's and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Series K First Preference Shares at levels other than those which may prevail on the open market. Such transactions, if commenced, may be discontinued at any time. After the Underwriters have made reasonable efforts to sell all the Series K First Preference Shares at the Offering Price, the Underwriters may sell the Series K First Preference Shares to the public at prices below the Offering Price. Any such reduction will not affect the proceeds received by the Corporation. **See "Plan of Distribution".**

Subscriptions for the Series K First Preference Shares 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 or about July 18, 2013, or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than July 31, 2013 (the "Closing Date"). A book entry only certificate representing the Series K First Preference Shares distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS on the Closing Date. The Corporation understands that a purchaser of Series K First Preference Shares will receive only a customer confirmation from the registered dealer (who is a CDS participant) from or through whom the Series K First Preference Shares are purchased. Except as otherwise stated herein, holders of beneficial interests in the Series K First Preference Shares will not be entitled to receive physical certificates representing their ownership. See "Book Entry Only System".

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### IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Series K First Preference Shares and the Series L First Preference Shares issuable on conversion of the Series K First Preference Shares and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series K First Preference Shares and Series L First Preference Shares offered hereunder.

**Prospective investors should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Prospectus. The Corporation has not authorized any other person to provide prospective investors with additional or different information. If anyone provides prospective investors with different or inconsistent information, prospective investors should not rely on it. The Corporation and the Underwriters are offering to sell, and seeking offers to buy, the Series K First Preference Shares only in jurisdictions where offers and sales are permitted. Prospective investors should assume that the information appearing in this Prospectus Supplement and the Prospectus, as well as information the Corporation has previously filed with the securities regulatory authority in each of the provinces of Canada that is incorporated herein and in the Prospectus by reference, is accurate as of their respective dates only. The Corporation's business, financial condition, results of operations and prospects may have changed since those dates.**

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the Prospectus, including the documents incorporated herein and therein by reference, contain forward-looking information which reflects management's expectations regarding the future growth, results of operations, performance, business prospects and opportunities of Fortis, and 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", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "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 the Corporation's management. 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 principal business of Fortis remaining the ownership and operation of regulated electric and gas utilities; the Corporation's primary focus on the United States in the acquisition of regulated utilities; the pursuit of growth in the Corporation's non-regulated businesses in support of its regulated utility growth strategy; the expected capital investment in Canada's electricity sector over the 20-year period from 2010 through 2030 to maintain system reliability; the Corporation's expected regulated midyear rate base in 2013 after closing of the acquisition (the "Acquisition") of CH Energy Group, Inc.;

forecasted 2013 midyear rate base for the Corporation's five large regulated utilities, including Central Hudson Gas & Electric Corporation ("Central Hudson"); the Corporation's consolidated forecasted gross capital expenditures for 2013 and in total over the five years 2013 through 2017; the expectation that the Acquisition will be accretive to earnings per Fortis common share beginning in 2015; the expected impact on earnings in the second quarter of 2013 of the Acquisition-related expenses, including commitments, and the reversal of previously expensed Part VI.1 tax; the expected combined compound annual growth rate of utility rate base and hydroelectric generation investment over the next five years; the expectation that FortisAlberta Inc.'s ("FortisAlberta") load and rate base will be positively impacted as a result of continuing economic growth in Alberta; various natural gas and electricity transmission investment opportunities that may be available to the Corporation; the nature, timing and amount of certain capital projects and their expected costs and time to complete; the expectation that the Corporation's significant capital expenditure program will support continuing growth in earnings and dividends; there is no assurance that capital projects perceived as required or completed by the Corporation's regulated utilities will be approved or that conditions to such approvals will not be imposed; the expectation that the Corporation's regulated utilities could experience disruptions and increased costs if they are unable to maintain their asset base; 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 Fortis and long-term debt offerings; the expectation that the Corporation's subsidiaries will be able to source the cash required to fund their 2013 capital expenditure programs; the expected consolidated long-term debt maturities and repayments in 2013 and on average annually over the next five years; the expectation that the Corporation and its subsidiaries will continue to have reasonable access to capital in the near to medium terms; the expectation that the combination of available credit facilities and relatively low annual debt maturities and repayments will provide the Corporation and its subsidiaries with flexibility in the timing of access to capital markets; the expectation that the Corporation and its subsidiaries will remain compliant with debt covenants during 2013; the expectation that any increase in interest expense and/or fees associated with renewed and extended credit facilities will not materially impact the Corporation's consolidated financial results for 2013; the expected impact on 2013 earnings for FortisAlberta and FortisBC Inc. ("FortisBC") of changes in the allowed rate of return on common shareholders' equity ("ROE") and common equity component of total capital structure; the expected timing of filing of regulatory applications and of receipt of regulatory decisions; the estimated impact a decrease in revenue at Fortis Properties Corporation's Hospitality Division would have on annual basic earnings per common share; no expected material adverse credit rating actions in the near term; the expected impact of a change in the US dollar-to-Canadian dollar foreign exchange rate on basic earnings per common share in 2013; the expectation that counterparties to the FortisBC Energy companies' gas derivative contracts will continue to meet their obligations; the expectation that consolidated defined benefit net pension cost for 2013 will be comparable to that in 2012 and that there is no assurance that the pension plan assets will earn the assumed long-term rates of return in the future; and the expected closing date of the Offering and use of proceeds.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate orders; no material adverse regulatory decisions being received and the expectation of regulatory stability; FortisAlberta continuing to recover its cost of service and earn its allowed ROE under performance-based rate ("PBR") setting, which commenced for a five-year term effective January 1, 2013; 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; FortisAlberta's operations, assets, earnings and cash flows not being materially impacted by the June 2013 floods in Alberta; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no severe and prolonged downturn in economic conditions; no significant decline in capital spending; no material capital project and financing cost overrun or delay related to the construction of the Waneta expansion hydroelectric generating facility (the "Waneta Expansion"); sufficient liquidity and capital resources; the expectation that the Corporation will receive appropriate compensation from the Government of Belize ("GOB") for fair value of the Corporation's investment in Belize Electricity Limited ("Belize Electricity") that was expropriated by the GOB; the expectation that Belize Electricity Company Limited ("BECOL") will not be expropriated by the GOB; the continuation of regulator-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the ability to hedge exposures to fluctuations in interest rates, foreign exchange rates, natural gas commodity prices and fuel 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 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; the absence of significant changes in government energy plans and environmental laws that may materially negatively affect the operations and cash flows of the Corporation and its subsidiaries; no material change in public policies and directions by governments that could materially negatively affect the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; the ability to report under generally accepted accounting principles in the United States ("US GAAP") beyond 2014 or the adoption of International Financial Reporting Standards ("IFRS") after 2014 that allows for the recognition of regulatory assets and liabilities; the continued tax-deferred treatment of earnings from the Corporation's Caribbean operations; continued maintenance of information technology infrastructure; continued favourable relations with First Nations; favourable labour relations; 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: regulatory risk, including increased risk at FortisAlberta associated with the adoption of PBR under a five-year term commencing in 2013; interest rate risk, including the uncertainty of the impact a continuation of a low interest rate environment may have on the ROE of the Corporation's regulated utilities; operating and maintenance risks; risks associated with changes in economic conditions; capital project budget overrun, completion and financing risk in the Corporation's non-regulated

business; capital resources and liquidity risk; risk associated with the amount of compensation to be paid to Fortis for its investment in Belize Electricity that was expropriated by the GOB; the timeliness of the receipt of the compensation and the ability of the GOB to pay the compensation owing to Fortis; risk that the GOB may expropriate BECOL; weather and seasonality risk; commodity price risk; the continued ability to hedge foreign exchange risk; counterparty risk; competitiveness of natural gas; natural gas, fuel and electricity supply risk; risk associated with the continuation, renewal, replacement and/or regulatory approval of power supply and capacity purchase contracts; risks relating to the realization of the anticipated benefits of the Acquisition; risk associated with defined benefit pension plan performance and funding requirements; risks related to FortisBC Energy (Vancouver Island) Inc. ("FEVI"); environmental risks; insurance coverage risk; risk of loss of licences and permits; risk of loss of service area; risk of not being able to report under US GAAP beyond 2014 or risk that IFRS does not have an accounting standard for rate-regulated entities by the end of 2014 allowing for the recognition of regulatory assets and liabilities; risks related to changes in tax legislation; risk of failure of information technology infrastructure; risk of not being able to access First Nations lands; labour relations risk; human resources risk; and risk of unexpected outcomes of legal proceedings currently against the Corporation. For additional information with respect to the Corporation's risk factors, reference should be made to the section of this Prospectus Supplement and the Prospectus entitled "Risk Factors", to the documents incorporated herein and therein by reference and to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities.

All forward-looking information in this Prospectus Supplement and 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, the Corporation undertakes 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 into the Prospectus solely for the purposes of the Offering of Series K First Preference Shares (including any Series K First Preference Shares issuable on the exercise of the Underwriters' Option).

The disclosure documents of the Corporation listed below and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) Annual Information Form dated March 22, 2013 for the year ended December 31, 2012;
- (b) audited comparative consolidated financial statements as at December 31, 2012 and December 31, 2011 and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon dated March 20, 2013, as contained in the Corporation's 2012 Annual Report, prepared in accordance with US GAAP;
- (c) Management Discussion and Analysis of financial condition and results of operations for the year ended December 31, 2012 as contained in the Corporation's 2012 Annual Report (the "Annual MD&A");
- (d) Management Information Circular dated March 21, 2013 prepared in connection with the Corporation's annual meeting of shareholders held on May 9, 2013;
- (e) unaudited comparative interim consolidated financial statements as at March 31, 2013 and March 31, 2012 and for the three months ended March 31, 2013 and 2012, together with the notes thereon, prepared in accordance with US GAAP; and
- (f) Management Discussion and Analysis of financial condition and results of operations for the three months ended March 31, 2013 (the "First Quarter MD&A").

Any document of the type referred to in the preceding paragraph, any material change report (other than any confidential material change report) and any business acquisition report subsequently filed by the Corporation with such securities commissions or regulatory authorities after the date of the 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 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 purposes of this Prospectus Supplement to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in**

**which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement or the Prospectus.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). These documents are also available through the Internet on the Corporation's website at [www.fortisinc.com](http://www.fortisinc.com) or on the Canadian System for Electronic Document Analysis and Retrieval ("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.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, the Series K First Preference Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or a tax-free savings account ("TFSA").

Notwithstanding that the Series K First Preference Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the Series K First Preference Shares held in the TFSA, RRSP or RRIF if such shares are a "prohibited investment" within the meaning of prohibited investment rules in the Tax Act. The Series K First Preference Shares will not be a "prohibited investment" under the Tax Act for a TFSA, RRSP or RRIF provided the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be: (i) deals at arm's length with the Corporation; (ii) does not have a "significant interest" (within the meaning of the prohibited investment rules in the Tax Act) in the Corporation; and (iii) does not have a significant interest (within the meaning of the prohibited investment rules in the Tax Act) in a corporation, partnership or trust that does not deal at arm's length with the Corporation. Proposed amendments to the Tax Act released on December 21, 2012 (the "December 2012 Proposals") propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Series K First Preference Shares will not be a "prohibited investment" if the Series K First Preference Shares are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Prospective purchasers who intend to hold Series K First Preference Shares in a TFSA, RRSP or RRIF should consult their own tax advisors with respect to whether Series K First Preference Shares would be prohibited investments, including with respect to whether the Series K First Preference Shares would be "excluded property" as defined in the December 2012 Proposals.

#### **CURRENCY**

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. References to "dollars", "\$" or "Cdn\$" are to lawful currency of Canada. References to "US Dollars" or "US\$" are to lawful currency of the United States of America.

On July 8, 2013, the noon buying rate as reported by the Bank of Canada was US\$1.00 = Cdn\$1.0576.

## SUMMARY

*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.*

### The Offering

<b>Issuer:</b>	Fortis Inc. ("Fortis" or the "Corporation").
<b>Offering:</b>	10,000,000 Cumulative Redeemable Fixed Rate Reset First Preference Shares, Series K (the "Series K First Preference Shares") offered pursuant to this Prospectus Supplement (the "Offering").
<b>Amount:</b>	\$250,000,000 (\$300,000,000 if the Underwriters' Option (as defined below) is exercised in full).
<b>Underwriters' Option:</b>	The Corporation has granted to each of TD Securities Inc. ("TDSI"), CIBC World Markets Inc. ("CIBC"), Scotia Capital Inc. ("Scotia Capital"), BMO Nesbitt Burns Inc. ("BMO"), National Bank Financial Inc. ("NB Financial"), RBC Dominion Securities Inc. ("RBC"), Desjardins Securities Inc. ("Desjardins Securities"), Canaccord Genuity Corp. and HSBC Securities (Canada) Inc. ("HSBC Securities") (collectively, the "Underwriters") an option (the "Underwriters' Option"), exercisable in whole or in part at any time up to 48 hours prior to the closing time of the Offering on the Closing Date (as defined below), to purchase up to 2,000,000 additional Series K First Preference Shares (the "Additional Shares") at the Offering Price. See "Plan of Distribution".
<b>Price:</b>	\$25.00 per Series K First Preference Share (the "Offering Price").
<b>Underwriters' Fee:</b>	\$0.25 per share for each Series K First Preference Share sold to certain institutions and \$0.75 per share for all other Series K First Preference Shares purchased by the Underwriters (the "Underwriters' Fee").
<b>Date of Closing:</b>	On or about July 18, 2013, or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than July 31, 2013 (the "Closing Date").
<b>Use of Proceeds:</b>	The net proceeds from the Offering will be approximately \$241,850,000, determined after deducting the Underwriters' Fee and the expenses of the Offering, which are estimated to be \$650,000, assuming no exercise of the Underwriters' Option. The net proceeds of the Offering will be used towards: (i) repaying borrowings under the Corporation's \$1.0 billion committed corporate credit facility, which borrowings have been or will be, prior to the closing of the Offering, incurred primarily in connection with: (a) the redemption of the Corporation's 5,000,000 Cumulative Redeemable First Preference Shares, Series C (the "First Preference Shares, Series C") on July 10, 2013; (b) the construction of the Waneta Expansion; and (c) equity injections into certain of the Corporation's subsidiaries; and (ii) for other general corporate purposes. If the Underwriters' Option is exercised in full, the estimated net proceeds of the Offering will be \$290,350,000 (after deducting the Underwriters' fee and estimated expenses of the Offering). See "Use of Proceeds".
<b>Principal Characteristics of Series K First Preference Shares:</b>	
<b>Dividends:</b>	The holders of Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation (the "Board of Directors") for the initial period commencing on the date of original issue of the Series K First Preference Shares which is expected to be on or about July 18, 2013 (the "Closing Date") to, but excluding, March 1, 2019 (the "Initial Fixed Rate Period"), at a rate of \$1.00 per share per annum, payable in equal quarterly instalments of \$0.25 per share on the



first day of March, June, September and December of each year. Assuming an issue date of July 18, 2013, the first dividend will be payable on September 1, 2013 in the amount of \$0.1233 per share.

For each five-year period commencing on the first day of March beginning on March 1, 2019 and every fifth year thereafter (each, a "Subsequent Fixed Rate Period"), the holders of Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the first day of March, June, September and December of each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for each Subsequent Fixed Rate Period will be determined by the Corporation on the 30th day prior to the first day of such Subsequent Fixed Rate Period (the "Fixed Rate Calculation Date") and will be equal to the sum of the Government of Canada Bond Yield (as defined herein) on the Fixed Rate Calculation Date plus 2.05%.

***Redemption:***

The Series K First Preference Shares are not redeemable by the Corporation before March 1, 2019. On March 1, 2019, and on March 1 of every fifth year thereafter (each, a "Series K Conversion Date"), the Corporation may, at its option upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series K First Preference Shares by the payment of \$25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws).

The Series K First Preference Shares are not redeemable at the option of their holders.

***Conversion into Series L First Preference Shares:***

The holders of Series K First Preference Shares will, subject to the automatic conversion provisions described herein and the right of the Corporation to redeem those shares, have the right, at their option, to convert, on each Series K Conversion Date, any or all of their Series K First Preference Shares into an equal number of Cumulative Redeemable Floating Rate First Preference Shares, Series L (the "Series L First Preference Shares") upon giving to the Corporation written notice thereof not earlier than 30 days prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series K Conversion Date. Once received by the Corporation, such written notice is irrevocable.

***Automatic Conversion Provisions:***

If the Corporation determines, after having taken into account all shares tendered for conversion by holders of Series K First Preference Shares and Series L First Preference Shares, as the case may be, that there would be outstanding on any Series K Conversion Date less than 1,000,000 Series K First Preference Shares, such remaining number of Series K First Preference Shares will automatically be converted on such Series K Conversion Date into an equal number of Series L First Preference Shares. Additionally, if the Corporation determines that, after conversion, there would be outstanding on such Series K Conversion Date less than 1,000,000 Series L First Preference Shares, then no Series K First Preference Shares will be converted into Series L First Preference Shares.

***Ratings:***

DBRS Limited ("DBRS"): Pfd-2 (low), Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation ("S&P"): P-2.

***Principal Characteristics of Series L First Preference Shares:***

***Dividends:***

The holders of Series L First Preference Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the first day of March, June, September and December of each year (the initial quarterly dividend period and each subsequent quarterly dividend period referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00.

On the 30th day prior to the commencement of the initial Quarterly Floating Rate Period beginning on March 1, 2019, and on the 30th day prior to the first day of

each subsequent Quarterly Floating Rate Period, the Corporation will determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) as at the 30th day prior to the first day of the applicable Quarterly Floating Rate Period plus 2.05% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365). The T-Bill Rate will be the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the date on which the Floating Quarterly Dividend Rate is determined.

***Redemption:***

On March 1, 2024, and on March 1 of every fifth year thereafter (each, a "Series L Conversion Date"), the Corporation may, at its option, redeem for cash all or any part of the outstanding Series L First Preference Shares by the payment of \$25.00 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws).

On any date after March 1, 2019, that is not a Series L Conversion Date, the Corporation may at any time, at its option, redeem for cash all or any part of the outstanding Series L First Preference Shares by the payment of \$25.50 per share plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws).

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption.

The Series L First Preference Shares are not redeemable at the option of their holders.

***Conversion into Series K First Preference Shares:***

Holders of Series L First Preference Shares will, subject to the automatic conversion provisions described herein and the right of the Corporation to redeem those shares, have the right, at their option, to convert, on each Series L Conversion Date, any or all of their Series L First Preference Shares into an equal number of Series K First Preference Shares upon giving to the Corporation written notice thereof not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series L Conversion Date. Once received by the Corporation, such written notice is irrevocable.

***Automatic Conversion Provision:***

If the Corporation determines, after having taken into account all shares tendered for conversion by holders of Series L First Preference Shares and Series K First Preference Shares, as the case may be, that there would be outstanding on any Series L Conversion Date less than 1,000,000 Series L First Preference Shares, such remaining number of Series L First Preference Shares will automatically be converted on such Series L Conversion Date into an equal number of Series K First Preference Shares. Additionally, if the Corporation determines that, after conversion, there would be outstanding on such Series L Conversion Date less than 1,000,000 Series K First Preference Shares, then no Series L First Preference Shares will be converted into Series K First Preference Shares.

***Rights Applicable to Series K First Preference Shares and Series L First Preference Shares:***

***Purchase for Cancellation:***

Subject to applicable law and any necessary regulatory approvals, the Corporation will be entitled to purchase Series K First Preference Shares and Series L First Preference Shares for cancellation in the open market or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

***Priority:***

The Series K First Preference Shares and Series L First Preference Shares rank on a parity with any other series of First Preference Shares of the Corporation and senior to all other shares of the Corporation with respect to priority to the payment of dividends, return of capital and the distribution of assets on the dissolution, liquidation or winding-up of the Corporation.

***Voting Rights:***

The Series K First Preference Shares and Series L First Preference Shares are non-voting unless the Corporation fails to pay eight quarterly dividends on the Series K First Preference Shares or the Series L First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment and for only so long as any such dividends remain in arrears, the holders of the Series K First Preference Shares or the Series L First Preference Shares, as applicable, will be entitled to receive notice of and to attend all shareholders' meetings of the Corporation which take place more than 60 days after the date on which the failure first occurs, other than meetings at which only holders of another specified class or series are entitled to vote, and will be entitled to one vote for each Series K First Preference Share or Series L First Preference Share held, as applicable.

**Tax on Preference Share Dividends:**

The Corporation will elect, in the manner and within the time provided under subsection 191.2(1) of the Tax Act, to pay or cause payment of the tax under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series K First Preference Shares and Series L First Preference Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares. See "Details of the Offering" and "Canadian Federal Income Tax Considerations".

**Listing:**

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series K First Preference Shares distributed under this Prospectus Supplement and the Prospectus and the Series L First Preference Shares into which the Series K First Preference Shares are convertible. Listing of the Series K First Preference Shares and the Series L First Preference Shares will be subject to the Corporation fulfilling all of the listing requirements of the TSX on or before October 6, 2013.

**Earnings Coverage:**

Earnings coverage information is provided in this Prospectus Supplement under the heading "Earnings Coverage Ratio".

**Risk Factors:**

An investment in the Series K First Preference Shares involves certain risks that should be considered by a prospective purchaser. See "Risk Factors".

## RECENT DEVELOPMENTS

### Acquisition of CH Energy Group

In February 2012, Fortis announced that it had entered into an agreement to acquire CH Energy Group, Inc. ("CH Energy Group") for US\$65.00 per common share in cash, for an aggregate purchase price of approximately US\$1.5 billion, including the assumption of approximately US\$500 million of debt on closing (the "Acquisition"). After receiving CH Energy Group shareholder approval in June 2012 and all required regulatory approvals, including the approval of the New York State Public Service Commission ("PSC"), which was effective on June 26, 2013 (the "PSC Order"), the Acquisition was completed on June 27, 2013. The cash purchase price of the Acquisition was financed through the issuance of 18,500,000 common shares of Fortis (each, a "Common Share"), pursuant to the conversion of Subscription Receipts on the closing of the Acquisition, with the balance being initially funded through drawings under the Corporation's \$1.0 billion committed credit facility.

CH Energy Group is an energy delivery company headquartered in Poughkeepsie, New York. Its main business, Central Hudson Gas & Electric Corporation ("Central Hudson"), is a regulated transmission and distribution utility serving approximately 300,000 electric and 75,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. Central Hudson accounts for approximately 93% of the total assets of CH Energy Group and is subject to regulation by the PSC under a traditional cost-of-service model. CH Energy Group's non-regulated operations primarily consist of Griffith Energy Services, Inc. which is a fuel delivery business serving approximately 56,000 customers in the Mid-Atlantic Region of the United States. As of March 31, 2013, CH Energy Group's total assets were US\$1.8 billion and operating revenues and net income for the year ended December 31, 2012 totalled US\$924 million and US\$40 million, respectively. For the year ended December 31, 2012, Central Hudson accounted for approximately 92% of CH Energy Group's net income, excluding the impact of Acquisition-related expenses.

Central Hudson's electric assets, which comprise approximately 77% of its total assets as of March 31, 2013, include approximately 8,700 miles of distribution lines and more than 600 miles of transmission lines. The electric business met a peak demand of 1,168 megawatts in 2012. Central Hudson's natural gas assets, which comprise approximately 23% of its total assets, include approximately 1,200 miles of distribution pipelines and more than 160 miles of transmission pipelines. The gas business met a peak day demand of 115 terajoules in 2012. Central Hudson primarily relies on purchases from third-party providers and the New York Independent System Operator-administered energy and capacity markets to meet the demands of its full-service electric customers. Central Hudson purchases its gas supply requirements from a number of suppliers at various receipt points on pipelines that it has contracted with for firm transport capacity.

The PSC Order has been granted on conditions that provide approximately US\$50 million in financial benefits to fund customer and community benefits in the areas serviced by Central Hudson, including: (i) US\$35 million to cover expenses that would normally be recovered in customer rates, for example, storm-restoration expenses; (ii) guaranteed savings to customers of more than US\$9 million over five years resulting from the elimination of costs CH Energy Group incurred as a public company; and (iii) the establishment of a US\$5 million Community Benefit Fund for economic development and low-income assistance programs for communities and residents of the Mid-Hudson River Valley. Central Hudson has committed to make US\$215 million in capital expenditures through June 30, 2015, including an estimated US\$50 million which will have a "storm-hardening" effect on its infrastructure. All of the 875 jobs at Central Hudson (both unionized and non-unionized) will be retained for a period of four years, and 35 new jobs will be created during the same period. In addition, electric and natural gas customers of Central Hudson will benefit from a delivery rate freeze through June 30, 2015. The above-referenced commitments of US\$35 million and US\$5 million, together with transaction costs associated with the Acquisition of approximately US\$8 million, will be recognized as expenses in the Corporation's second quarter financial results. The resultant net after-tax charge by the Corporation in the second quarter is expected to be approximately US\$32 million.

The Acquisition is now expected to be accretive to earnings per Common Share beginning in 2015, largely due to concessions offered beyond those originally proposed to obtain the approval of the PSC.

See "Risk Factors", "Special Note Regarding Forward-Looking Statements" and "Changes in Share and Loan Capital Structure".

### Redemption of First Preference Shares, Series C

On May 8, 2013, the Corporation announced that it will redeem its 5,000,000 Cumulative Redeemable First Preference Shares, Series C (the "First Preference Shares, Series C") on July 10, 2013. The redemption price of \$125,000,000 will initially be funded through drawings under the Corporation's \$1.0 billion committed credit facility, which drawings are expected to be repaid from the net proceeds of the Offering.

### British Columbia Utilities Commission Decision regarding FortisBC Utilities

On May 10, 2013, the British Columbia Utilities Commission ("BCUC") released its decision on the first phase of its generic cost of capital review for British Columbia utilities. Consequently, effective January 1, 2013 and continuing through December 31, 2015, the allowed ROE for FortisBC Energy Inc. ("FEI"), which is the benchmark for calculating the allowed ROE for certain utilities in British Columbia, has been set at 8.75% and the common equity component of capital structure for rate-making purposes has been reduced from 40.0% to 38.5%. For the same period, the allowed ROEs for FortisBC, FEVI and FortisBC Energy (Whistler) Inc. will reflect the benchmark 8.75% allowed ROE and the risk premiums associated with each of these utilities. As a result of the BCUC decision, in June 2013, Moody's

Investors Service affirmed the long-term credit ratings of FortisBC Holdings Inc. (Baa2), FEI (A3), FEVI (A3) and FortisBC (Baa1) and changed the rating outlooks to negative from stable.

## Part VI.1 Tax

In June 2013 the federal government of Canada enacted new lower income tax rates applicable to Part VI.1 taxes. Under US GAAP, income taxes are required to be recognized based on enacted tax legislation. As a result of the enactment of the new Part VI.1 tax rates, in the second quarter of 2013 the Corporation will recognize a favourable impact on earnings resulting from the reversal of approximately \$25 million in previously expensed Part VI.1 tax.

## FortisBC – Collective Agreement

The collective agreement between FortisBC and the International Brotherhood of Electrical Workers, Local 213 (the "IBEW"), expired on January 31, 2013. FortisBC and the IBEW have been unsuccessful in collective bargaining efforts to date. As a result, FortisBC activated the essential services order issued in April 2013 by the Labour Relations Board of British Columbia. The IBEW is complying with the order and the Company continues to deliver safe and reliable electricity to its customers and is committed to reaching a fair and reasonable agreement that balances the needs of its employees and customers. Approximately 200 of FortisBC's employees are members of the IBEW.

## Alberta Floods

Although the floods in Alberta in June 2013 impacted parts of FortisAlberta's service territory, they are not expected to have a material effect on the operations, assets, earnings or cash flows of FortisAlberta.

## CAPITALIZATION

The following table sets out the consolidated capitalization of the Corporation as at March 31, 2013 and on a *pro forma* basis as of such date after giving effect to the net proceeds from the Offering (assuming no exercise of the Underwriters' Option), determined after deducting the Underwriters' Fee and estimated expenses of the Offering on an after-tax basis, and the changes in Common Shares, long-term debt, capital lease and finance obligations from April 1, 2013 up to and including July 5, 2013. See "Changes in Share and Loan Capital Structure". The financial information set out below has been prepared in accordance with US GAAP.

	<b>Outstanding at March 31, 2013 (unaudited)</b>	<b><i>Pro forma</i> Outstanding at March 31, 2013 (unaudited) <sup>(1)</sup></b>
	<b>(in millions of dollars)</b>	
Total debt, capital lease and finance obligations <sup>(2)</sup> (net of cash) .....	6,376	7,510
Shareholders' equity		
Securities offered hereby .....	-	244
Common Shares <sup>(3)</sup> .....	3,149	3,739
Preference shares <sup>(4)</sup> .....	1,108	985
Additional paid-in capital .....	15	15
Accumulated other comprehensive loss .....	(93)	(93)
Retained earnings .....	1,043	1,043
Total capitalization <sup>(5)</sup> .....	<u>11,598</u>	<u>13,443</u>

<sup>(1)</sup> After giving effect to the net proceeds from the Offering (assuming no exercise of the Underwriters' Option), determined after deducting the Underwriters' Fee and estimated expenses of the Offering on an after-tax basis and the changes in Common Shares, long-term debt, capital lease and finance obligations from April 1, 2013 up to and including July 5, 2013. See "Changes in Share and Loan Capital Structure".

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

<sup>(3)</sup> Includes the exchange of the 18,500,000 subscription receipts (the "Subscription Receipts") into Common Shares (which exchange took place on June 27, 2013) for proceeds of \$568 million, net of after-tax expenses.

<sup>(4)</sup> Reflects the planned redemption of 5,000,000 First Preference Shares, Series C on July 10, 2013.

<sup>(5)</sup> Excludes non-controlling interests.

## SHARE CAPITAL OF FORTIS

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares issuable in series and an unlimited number of Second Preference Shares issuable in series, in each case without nominal or par value. As at July 5, 2013, 211,717,071 Common Shares, 5,000,000 First Preference Shares, Series C, 7,993,500 Cumulative Redeemable First Preference Shares, Series E (the "First Preference Shares, Series E"), 5,000,000 Cumulative Redeemable First Preference Shares, Series F (the "First Preference Shares, Series F"), 9,200,000 Cumulative Redeemable Five-Year Fixed Rate Reset First Preference Shares,

Series G (the "First Preference Shares, Series G"), 10,000,000 Cumulative Redeemable Five-Year Fixed Rate Reset First Preference Shares, Series H (the "First Preference Shares Series H") and 8,000,000 Cumulative Redeemable First Preference Shares, Series J (the "First Preference Shares, Series J") were issued and outstanding. The Corporation's Common Shares, First Preference Shares, Series C, First Preference Shares, Series E, First Preference Shares, Series F, First Preference Shares, Series G, First Preference Shares, Series H, and First Preference Shares Series J are listed on the TSX under the symbols "FTS", "FTS.PR.C", "FTS.PR.E", "FTS.PR.F", "FTS.PR.G", "FTS.PR.H" and "FTS.PR.J", respectively.

### CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE

The following describes the changes in the share and loan capital structure of Fortis since March 31, 2013:

- During the period from April 1, 2013 up to and including July 5, 2013, Fortis issued an aggregate of 19,241,126 Common Shares upon the exchange of 18,500,000 Subscription Receipts in connection with the Acquisition, and pursuant to the Corporation's Dividend Reinvestment, Consumer Share Purchase and Employee Share Purchase plans and upon the exercise of options granted pursuant to the 2006 and 2002 Stock Option Plans, for aggregate consideration of approximately \$590 million, net of after-tax expenses.
- During the period from April 1, 2013 up to and including July 5, 2013, the Corporation's consolidated long-term debt, capital lease and finance obligations, including current portions and committed credit facility borrowings classified as long-term debt, increased by \$1,134 million, principally due to the following:
  - approximately \$522 million borrowed under the Corporation's committed credit facility to fund the Acquisition;
  - approximately \$547 million (US\$517 million) of CH Energy Group debt indirectly assumed as a result of the Acquisition, which primarily consists of unsecured promissory notes with interest rates ranging from 2.8% to 6.9% and maturity dates ranging from 2013 to 2042; and
  - an increase in credit facility borrowings at FortisAlberta of approximately \$46 million.
- On July 10, 2013, Fortis will redeem 5,000,000 First Preference Shares, Series C at a total cost of approximately \$126 million.

### PRIOR SALES

On November 13, 2012, Fortis completed a public offering of an aggregate of 8,000,000 First Preference Shares, Series J at a price of \$25.00 per share.

### TRADING PRICES AND VOLUMES

The following tables set forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Corporation's Common Shares; First Preference Shares, Series C; First Preference Shares, Series E; First Preference Shares, Series F; First Preference Shares, Series G; First Preference Shares, Series H; and First Preference Shares, Series J, on the TSX.

	Trading of Common Shares			Trading of First Preference Shares, Series C		
	TSX			TSX		
	High	Low	Volume	High	Low	Volume
	(\$)	(\$)	(#)	(\$)	(\$)	(#)
<b>2012</b>						
July .....	33.54	32.37	5,854,206	26.10	25.52	61,688
August .....	34.03	32.38	7,323,690	25.99	25.52	20,856
September .....	33.54	32.45	8,714,537	25.70	25.53	24,897
October .....	33.93	33.01	7,237,611	26.75	25.59	15,786
November .....	34.20	32.41	7,284,164	26.26	25.60	35,134
December .....	34.35	32.83	9,203,571	25.80	25.35	19,055
<b>2013</b>						
January .....	34.85	33.92	7,028,930	25.80	25.50	37,516
February .....	34.89	32.89	8,565,427	25.68	25.14	371,329
March .....	34.29	33.21	9,213,786	25.34	25.15	176,447
April .....	35.08	33.06	9,634,522	25.50	25.22	263,259
May .....	35.14	33.00	11,446,339	25.46	25.07	191,089
June .....	33.32	30.70	13,177,638	25.16	25.10	30,776
July 2 to 5 .....	32.36	31.25	1,145,656	25.24	25.12	4,591

	Trading of First Preference Shares, Series E			Trading of First Preference Shares, Series F		
	TSX			TSX		
	High (\$)	Low (\$)	Volume (#)	High (\$)	Low (\$)	Volume (#)
<b>2012</b>						
July .....	27.69	26.55	330,290	25.78	25.32	98,386
August .....	27.05	26.65	22,425	26.05	25.75	483,143
September.....	26.99	26.46	32,099	25.91	24.79	301,603
October.....	27.20	26.65	140,070	26.25	25.82	50,812
November.....	27.20	26.81	50,121	26.02	25.50	133,113
December .....	27.33	26.80	25,304	25.96	25.74	46,410
<b>2013</b>						
January .....	27.19	26.64	38,132	26.05	25.80	63,277
February .....	27.03	26.30	61,519	26.25	25.74	372,278
March .....	26.64	26.18	161,461	26.02	25.79	68,561
April .....	26.83	26.27	62,483	26.17	25.65	49,615
May .....	26.54	26.08	151,923	26.06	25.08	133,510
June .....	26.27	25.95	17,127	25.12	22.89	109,880
July 2 to 5.....	25.95	25.95	4,600	24.76	23.81	18,624

	Trading of First Preference Shares, Series G			Trading of First Preference Shares, Series H		
	TSX			TSX		
	High (\$)	Low (\$)	Volume (#)	High (\$)	Low (\$)	Volume (#)
<b>2012</b>						
July .....	25.80	25.31	118,123	25.84	25.32	535,584
August .....	25.62	25.14	207,283	25.80	25.30	222,408
September.....	25.40	25.20	127,973	25.85	25.25	122,267
October.....	25.40	25.15	183,254	25.74	25.10	1,145,687
November.....	25.45	24.62	276,986	25.75	25.30	363,052
December .....	24.74	24.05	382,796	25.75	25.40	132,976
<b>2013</b>						
January .....	25.10	24.32	619,282	26.03	25.43	236,790
February .....	25.31	24.87	462,897	26.25	25.45	232,420
March .....	25.38	24.99	231,399	26.38	25.80	293,989
April .....	25.39	25.09	166,680	26.26	25.29	166,015
May .....	25.78	25.01	233,188	25.92	25.10	142,715
June .....	25.12	22.33	141,639	25.46	24.05	169,198
July 2 to 5.....	24.71	24.44	25,392	24.49	24.10	16,826

	Trading of First Preference Shares, Series J		
	TSX		
	High (\$)	Low (\$)	Volume (#)
<b>2012</b>			
November 13 to 30.....	25.40	25.04	2,091,868
December .....	25.80	25.23	247,752
<b>2013</b>			
January .....	26.09	25.54	455,909
February .....	26.27	25.56	296,524
March .....	26.12	25.60	307,650
April .....	26.26	25.85	271,529
May .....	26.10	25.52	166,192
June .....	25.60	22.31	206,705
July 2 to 5.....	24.25	23.68	32,874

## EARNINGS COVERAGE RATIO

The Corporation's dividend requirements on all of its First Preference Shares after giving effect to the issue of 10,000,000 Series K First Preference Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent, amounted to \$66 million using an effective income tax rate of 14.1%, and \$71 million using an effective income tax rate of 15.1% for each of the 12 months ended December 31, 2012 and the 12 months ended March 31, 2013, respectively. The Corporation's interest requirements for the 12 months ended December 31, 2012 and the 12 months ended March 31, 2013 amounted to \$383 million and \$381 million, respectively. The Corporation's earnings before interest and income tax for the 12 months ended December 31, 2012 and the 12 months ended March 31, 2013 were \$782 million and \$798 million, respectively, which is 1.74 times and 1.77 times, respectively, the Corporation's aggregate dividend and interest requirements for the period.

## RATINGS

The Series K First Preference Shares are rated Pfd-2 (low) by DBRS. The Series K First Preference Shares are rated P-2 by S&P.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Series K First Preference Shares by these rating agencies are not recommendations to purchase, hold or sell the Series K First Preference Shares, as such ratings do not comment as to market price or suitability for a particular investor. 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.

Fortis has paid each of DBRS and S&P their customary fees in connection with the provision of the ratings described herein. Fortis has not made any payments to DBRS or S&P for services unrelated to the provision of such ratings.

## DETAILS OF THE OFFERING

### Specific Provisions of First Preference Shares

A summary of the material rights, privileges, conditions and restrictions attached to the First Preference Shares as a class is included in the Prospectus under the heading "Description of the Securities Offered – First Preference Shares".

### Specific Provisions of Series K First Preference Shares

The following is a summary of the material rights, privileges, restrictions and conditions attached to the Series K First Preference Shares.

### *Definition of Terms*

The following definitions are relevant to the Series K First Preference Shares.

"Annual Fixed Dividend Rate" means, for any Subsequent Fixed Rate Period, the rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Bond Yield on the applicable Fixed Rate Calculation Date plus 2.05%.

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

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

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

"Initial Fixed Rate Period" means the period commencing on the date of original issue of the Series K First Preference Shares to, but excluding, March 1, 2019.



"Subsequent Fixed Rate Period" means, for the initial Subsequent Fixed Rate Period, the period commencing on March 1, 2019 to, but excluding, March 1, 2024 and, for each succeeding Subsequent Fixed Rate Period, the period commencing on the first day of March immediately following the end of the immediately preceding Subsequent Fixed Rate Period to, but excluding, March 1 in the fifth year thereafter.

#### **Issue Price**

The Series K First Preference Shares will have an issue price of \$25.00 per share.

#### **Dividends**

During the Initial Fixed Rate Period, the holders of Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, at a rate of \$1.00 per share per annum, accruing from the date of original issue, payable (other than the first dividend payment) in equal quarterly instalments on the first day of March, June, September and December of each year (less any tax required to be deducted and withheld by the Corporation under applicable laws). The initial dividend, if declared, will be payable on September 1, 2013 and will be \$0.1233 per share, based on the anticipated Closing Date of July 18, 2013.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of the Series K First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable in equal quarterly instalments on the first day of March, June, September and December of each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of the Series K First Preference Shares. The Corporation will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series K First Preference Shares. If the Corporation gives notice to the holders of the Series K First Preference Shares of its intention to redeem all of the Series K First Preference Shares (as described below), the Corporation will not be required to give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period.

#### **Redemption**

The Series K First Preference Shares are not redeemable by the Corporation before March 1, 2019. On March 1, 2019, and on March 1 every fifth year thereafter, subject to the terms of any shares of the Corporation ranking prior to the Series K First Preference Shares, to applicable law and to the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may, at its option, redeem all or any part of the then outstanding Series K First Preference Shares by the payment of an amount in cash for each such share so redeemed of \$25.00 plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws).

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series K First Preference Shares are at any time to be redeemed, the shares to be redeemed will be redeemed on a *pro rata* basis.

The Series K First Preference Shares are not redeemable at the option of their holders.

#### **Conversion of Series K First Preference Shares into Series L First Preference Shares**

The holders of Series K First Preference Shares will have the right, at their option, on each Series K Conversion Date, to convert, subject to the restrictions on conversion described below, all or any of the Series K First Preference Shares registered in their name into Series L First Preference Shares, on the basis of one Series L First Preference Share for each Series K First Preference Share. The conversion of the Series K First Preference Shares may be effected by delivery to the Corporation of written notice thereof not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series K Conversion Date. Once received by the Corporation, such written notice is irrevocable.

The Corporation will, not less than 30 days and not more than 60 days prior to the applicable Series K Conversion Date, give notice in writing to the then registered holders of the Series K First Preference Shares of the above-mentioned conversion right. On the 30th day prior to each Series K Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series K First Preference Shares of the Floating Quarterly Dividend Rate (as defined below) applicable to the Series L First Preference Shares for the next succeeding Quarterly Floating Rate Period (as defined below).

The holders of Series K First Preference Shares will not be entitled to convert their shares into Series L First Preference Shares if the Corporation determines that there would remain outstanding on a Series K Conversion Date less than 1,000,000 Series L First Preference Shares, after having taken into account all Series K First Preference Shares tendered for conversion into Series L First Preference Shares and all Series L First Preference Shares tendered for conversion into Series K First Preference Shares. The Corporation will give notice in

writing thereof to all affected registered holders of Series K First Preference Shares at least seven days prior to the applicable Series K Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series K Conversion Date less than 1,000,000 Series K First Preference Shares, after having taken into account all Series K First Preference Shares tendered for conversion into Series L First Preference Shares and all Series L First Preference Shares tendered for conversion into Series K First Preference Shares, then all, but not part, of the remaining outstanding Series K First Preference Shares will automatically be converted into Series L First Preference Shares on the basis of one Series L First Preference Share for each Series K First Preference Share on the applicable Series K Conversion Date and the Corporation will give notice in writing thereof to the then registered holders of such remaining Series K First Preference Shares at least seven days prior to the Series K Conversion Date.

If the Corporation gives notice to the registered holders of the Series K First Preference Shares of the redemption of all the Series K First Preference Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series K First Preference Shares of a Floating Quarterly Dividend Rate or the conversion right of holders of Series K First Preference Shares and the right of any holder of Series K First Preference Shares to convert such Series K First Preference Shares will cease and terminate in that event.

A holder of Series K First Preference Shares on the record date for any dividend declared payment on such shares will be entitled to such dividend notwithstanding that such shares are converted into Series L First Preference Shares after such record date and on or before the date of payment of such dividend.

Upon the exercise by a holder of Series K First Preference Shares of its right to convert Series K First Preference Shares into Series L First Preference Shares or upon an automatic conversion of Series K First Preference Shares, the Corporation reserves the right not to issue any Series L First Preference Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that such issue would require the Corporation to take any action to comply with the securities laws or other laws of such jurisdiction.

#### ***Purchase for Cancellation***

Subject to applicable law, any necessary regulatory approvals and the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may, at any time, purchase for cancellation the whole or any part of the Series K First Preference Shares in the open market, through or from an investment dealer or any firm holding membership on a recognized stock exchange, or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### ***Liquidation, Dissolution and Winding-Up***

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series K First Preference Shares will be entitled to payment of an amount equal to \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Corporation under applicable laws), before any amount is paid or any assets of the Corporation are distributed to the holders of the Common Shares or any other shares ranking junior as to capital to the Series K First Preference Shares. The holders of the Series K First Preference Shares will not be entitled to share in any further distribution of the assets of the Corporation.

#### ***Restrictions on Dividends and Retirement and Issue of Shares***

So long as any of the Series K First Preference Shares are outstanding, the Corporation will not, without the approval of the holders of the Series K First Preference Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series K First Preference Shares) on any shares of the Corporation ranking as to dividends junior to the Series K First Preference Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series K First Preference Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series K First Preference Shares;
- (c) redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series K First Preference Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any First Preference Shares, ranking as to dividends or capital on a parity with the Series K First Preference Shares; or

- (e) issue any additional Series K First Preference Shares (other than in accordance with the conversion provisions of the Series L First Preference Shares) or any shares ranking as to dividends or capital prior to or on a parity with the Series K First Preference Shares (other than any Series L First Preference Shares issued in accordance with the conversion provisions of the Series K First Preference Shares),

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series K First Preference Shares and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Series K First Preference Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

### ***Shareholder Approvals***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series K First Preference Shares as a series and any other approval to be given by the holders of the Series K First Preference Shares may be given in such manner as then required by law, subject to a minimum requirement that such approval be given by a resolution in writing signed by all the holders of the Series K First Preference Shares or by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of not less than a majority of the outstanding Series K First Preference Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series K First Preference Shares then present would form the necessary quorum. At any meeting of holders of Series K First Preference Shares as a series, each such holder shall be entitled to one vote in respect of each Series K First Preference Share held.

### ***Voting Rights***

The holders of the Series K First Preference Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of First Preference Shares as a class and meetings of the holders of Series K First Preference Shares as a series) to receive notice of, attend at or vote at any meeting of shareholders of the Corporation, unless and until the Corporation fails to pay eight quarterly dividends on the Series K First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series K First Preference Shares will have the right to receive notice of and to attend each meeting of shareholders of the Corporation which takes place more than 60 days after the date on which the failure first occurs (other than a separate meeting of the holders of another series or class of shares) and such holders shall have the right, at any such meeting, to one vote for each Series K First Preference Share held. Subject to applicable law, no other voting rights shall attach to the Series K First Preference Shares in any circumstances. The voting rights of the holders of the Series K First Preference Shares shall forthwith cease upon payment by the Corporation of any and all such dividends in arrears on the Series K First Preference Shares to which the holders are entitled, until such time as the Corporation may again fail to pay eight quarterly dividends on the Series K First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends, in which event such voting rights shall become effective again and so on from time to time.

### ***Tax Election***

The Corporation will elect, in the manner and within the time provided under subsection 191.2(1) of the Tax Act, to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series K First Preference Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

### ***Business Days***

If any action or payment is required to be taken or made by the Corporation or a holder on a day that is not a business day, then such action will be taken or such payment will be made on the next succeeding day that is a business day.

### **Specific Provisions of Series L First Preference Shares**

The following is a summary of the material rights, privileges, restrictions and conditions attached to the Series L First Preference Shares.

### ***Definition of Terms***

The following definitions are relevant to the Series L First Preference Shares.

"Bloomberg Screen CA3MAY Page" means the display designated as page "CA3MAY<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the CA3MAY page or that service) for purposes of displaying the T-Bill Rate.

"Floating Quarterly Dividend Rate" means, for any Quarterly Floating Rate Period, the rate of interest (expressed as a percentage rate rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.05% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

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

"Quarterly Commencement Date" means the first day of each of March, June, September and December of each year.

"Quarterly Floating Rate Period" means, for the initial Quarterly Floating Rate Period, the period commencing on March 1, 2019 and ending on and including May 31, 2019, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

"T-Bill Rate" means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date as quoted on the Bloomberg Screen CA3MAY Page; provided that if such information does not appear on the Bloomberg Screen CA3MAY Page on the applicable Floating Rate Calculation Date, then as determined by the Corporation.

#### ***Issue Price***

The Series L First Preference Shares will have an issue price of \$25.00 per share.

#### ***Dividends***

The holders of the Series L First Preference Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors payable quarterly on the first day of March, June, September and December of each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Corporation on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series L First Preference Shares. The Corporation will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Series L First Preference Shares. If the Corporation gives notice to the holders of the Series L First Preference Shares of its intention to redeem all of the Series L First Preference Shares (as described below), the Corporation will not be required to give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period.

#### ***Redemption***

Subject to the terms of any shares of the Corporation ranking prior to the Series L First Preference Shares, to applicable law and to the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may, at its option, redeem all or any part of the then outstanding Series L First Preference Shares by the payment of an amount in cash for each such share so redeemed of: (i) \$25.00 plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws), in the case of redemptions on March 1, 2024 and March 1 every fifth year thereafter (each, a "Series L Conversion Date"); or (ii) \$25.50 plus all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation under applicable laws), in the case of redemptions on any date after March 1, 2019 that is not a Series L Conversion Date.

Notice of any redemption will be given by the Corporation not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series L First Preference Shares are at any time to be redeemed, the shares to be redeemed will be redeemed on a *pro rata* basis.

The Series L First Preference Shares are not redeemable at the option of their holders.

#### ***Conversion of Series L First Preference Shares into Series K First Preference Shares***

The holders of Series L First Preference Shares will have the right, at their option, on each Series L Conversion Date, to convert, subject to the restrictions on conversion described below, all or any of the Series L First Preference Shares registered in their name into Series K First Preference Shares on the basis of one Series K First Preference Share for each Series L First Preference Share. The conversion of Series L First Preference Shares may be effected by delivery to the Corporation of written notice thereof not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series L Conversion Date. Once received by the Corporation, such written notice is irrevocable.

The Corporation will, not less than 30 days and not more than 60 days prior to the applicable Series L Conversion Date, give notice in writing to the then registered holders of the Series L First Preference Shares of the above-mentioned conversion right. On the 30th day prior to each Series L Conversion Date, the Corporation will give notice in writing to the then registered holders of the Series L First Preference Shares of the Annual Fixed Dividend Rate applicable to the Series K First Preference Shares for the next succeeding Subsequent Fixed Rate Period.

The holders of Series L First Preference Shares will not be entitled to convert their shares into Series K First Preference Shares if the Corporation determines that there would remain outstanding on a Series L Conversion Date less than 1,000,000 Series K First Preference Shares, after having taken into account all Series L First Preference Shares tendered for conversion into Series K First Preference Shares and all Series K First Preference Shares tendered for conversion into Series L First Preference Shares. The Corporation will give notice in writing thereof to all affected registered holders of Series L First Preference Shares at least seven days prior to the applicable Series L Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series L Conversion Date less than 1,000,000 Series L First Preference Shares, after having taken into account all Series L First Preference Shares tendered for conversion into Series K First Preference Shares and all Series K First Preference Shares tendered for conversion into Series L First Preference Shares, then all, but not part, of the remaining outstanding Series L First Preference Shares will automatically be converted into Series K First Preference Shares on the basis of one Series K First Preference Share for each Series L First Preference Share on the applicable Series L Conversion Date and the Corporation will give notice in writing thereof to the then registered holders of such remaining Series L First Preference Shares at least seven days prior to the Series L Conversion Date.

If the Corporation gives notice to the registered holders of the Series L First Preference Shares of the redemption of all the Series L First Preference Shares, the Corporation will not be required to give notice as provided hereunder to the registered holders of the Series L First Preference Shares of an Annual Fixed Dividend Rate or the conversion right of holders of Series L First Preference Shares and the right of any holder of Series L First Preference Shares to convert such Series L First Preference Shares will cease and terminate in that event.

A holder of Series L First Preference Shares on the record date for any dividend declared payable on such shares will be entitled to such dividend notwithstanding that such shares are converted into Series K First Preference Shares after such record date and on or before the date of the payment of such dividend.

Upon the exercise by a holder of Series L First Preference Shares of its right to convert Series L First Preference Shares into Series K First Preference Shares or upon an automatic conversion of Series L First Preference Shares, the Corporation reserves the right not to issue any Series K First Preference Shares to any person whose address is in, or whom the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that such issue would require the Corporation to take any action to comply with the securities laws or other laws of such jurisdiction.

#### ***Purchase for Cancellation***

Subject to applicable law, any necessary regulatory approvals and the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may, at any time, purchase for cancellation the whole or any part of the Series L First Preference Shares in the open market, through or from an investment dealer or any firm holding membership on a recognized stock exchange, or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable.

#### ***Liquidation, Dissolution and Winding-Up***

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series L First Preference Shares will be entitled to payment of an amount equal to \$25.00 per share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Corporation under applicable laws), before any amount is paid or any assets of the Corporation are distributed to the holders of the Common Shares or any other shares ranking junior as to capital to the Series L First Preference Shares. The holders of the Series L First Preference Shares will not be entitled to share in any further distribution of the assets of the Corporation.

#### ***Restrictions on Dividends and Retirement and Issue of Shares***

So long as any of the Series L First Preference Shares are outstanding, the Corporation will not, without the approval of the holders of the Series L First Preference Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Series L First Preference Shares) on any shares of the Corporation ranking as to dividends junior to the Series L First Preference Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to capital and dividends junior to the Series L First Preference Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series L First Preference Shares;
- (c) redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series L First Preference Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of

capital in respect of any First Preference Shares, ranking as to dividends or capital on a parity with the Series L First Preference Shares; or

- (e) issue any additional Series L First Preference Shares (other than in accordance with the conversion provisions of the Series K First Preference Shares) or any shares ranking as to dividends or capital prior to or on a parity with the Series L First Preference Shares (other than any Series K First Preference Shares issued in accordance with the conversion provisions of the Series L First Preference Shares),

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series L First Preference Shares and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Series L First Preference Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

#### ***Shareholder Approvals***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series L First Preference Shares as a series and any other approval to be given by the holders of the Series L First Preference Shares may be given in such manner as then required by law, subject to a minimum requirement that such approval be given by a resolution in writing signed by all the holders of the Series L First Preference Shares or by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of not less than a majority of the outstanding Series L First Preference Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series L First Preference Shares then present would form the necessary quorum. At any meeting of holders of Series L First Preference Shares as a series, each such holder shall be entitled to one vote in respect of each Series L First Preference Share held.

#### ***Voting Rights***

The holders of the Series L First Preference Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of First Preference Shares as a class and meetings of the holders of Series L First Preference Shares as a series) to receive notice of, attend at, or vote at any meeting of shareholders of the Corporation unless and until the Corporation fails to pay eight quarterly dividends on the Series L First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series L First Preference Shares will have the right to receive notice of and to attend each meeting of shareholders of the Corporation which takes place more than 60 days after the date on which the failure first occurs (other than a separate meeting of the holders of another series or class of shares) and such holders shall have the right, at any such meeting, to one vote for each Series L First Preference Share held. Subject to applicable law, no other voting rights shall attach to the Series L First Preference Shares in any circumstances. The voting rights of the holders of the Series L First Preference Shares shall forthwith cease upon payment by the Corporation of any and all such dividends in arrears on the Series L First Preference Shares to which the holders are entitled, until such time as the Corporation may again fail to pay eight quarterly dividends on the Series L First Preference Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends, in which event such voting rights shall become effective again and so on from time to time.

#### ***Tax Election***

The Corporation will elect, in the manner and within the time provided under subsection 191.2(1) of the Tax Act, to pay or cause payment of tax under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series L First Preference Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received on such shares.

#### ***Business Days***

If any action or payment is required to be taken or made by the Corporation or a holder on a day that is not a business day, then such action will be taken or such payment will be made on the next succeeding day that is a business day.

### **BOOK ENTRY ONLY SYSTEM**

Except as otherwise provided below, the Series K First Preference Shares and the Series L First Preference Shares will be issued in a "book entry only" form and must be purchased or transferred through participants ("Participants") in the depository service of CDS Clearing and Depository Services Inc. ("CDS") or its nominee which include securities brokers and dealers, banks and trust companies. On the Closing Date, the Corporation will cause a global certificate representing the Series K First Preference Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as otherwise provided below, no purchaser of Series K First Preference Shares or Series L First Preference Shares will be entitled to a certificate or other instrument from the Corporation 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 Participant acting on behalf of the purchaser. Each purchaser of Series K First Preference Shares or Series L First Preference Shares will receive a customer confirmation of purchase from the registered dealer from which the Series K First Preference Shares or Series L First Preference Shares are purchased in accordance with the practices and procedures of the 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 Series K First Preference Shares or Series L First Preference Shares. Physical certificates evidencing the Series K First Preference Shares and the Series L First Preference Shares will not be issued to purchasers, except in limited circumstances, and registration will be made through the depository service of CDS.

None of the Corporation, the Underwriters or their respective affiliates will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series K First Preference Shares or Series L First Preference Shares, as applicable, held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series K First Preference Shares or Series L First Preference Shares, as applicable; or (c) any advice or representation made by or with respect to CDS and those contained in this Prospectus Supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Series K First Preference Shares or Series L First Preference Shares must look solely to Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series K First Preference Shares or Series L First Preference Shares, as applicable.

The ability of a beneficial owner of Series K First Preference Shares or Series L First Preference Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a Participant) may be limited due to the lack of a physical certificate.

If (i) required by applicable law, (ii) the book entry system ceases to exist, (iii) CDS advises the Corporation that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series K First Preference Shares or Series L First Preference Shares, as applicable, and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry system, then certificates representing the Series K First Preference Shares or Series L First Preference Shares, as applicable, will be made available.

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

A transfer or redemption of Series K First Preference Shares or Series L First Preference Shares, as applicable, will be effected through records 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 Series K First Preference Shares or Series L First Preference Shares, as applicable, who are not Participants, but who wish to purchase, sell or otherwise transfer ownership of or other interests in Series K First Preference Shares or Series L First Preference Shares, may do so only through Participants.

#### **USE OF PROCEEDS**

The net proceeds to the Corporation from the Offering will be approximately \$241,850,000, determined after deducting the Underwriters' Fee and the estimated expenses of the Offering, which are estimated to be \$650,000, assuming no exercise of the Underwriters' Option. If the Underwriters' Option is exercised in full, the estimated net proceeds of the Offering, after deducting the Underwriters' Fee and estimated expenses of the Offering, are expected to be \$290,350,000. The net proceeds of the Offering will be used towards: (i) repaying borrowings under the Corporation's \$1.0 billion committed corporate credit facility, which borrowings have been or will be, prior to the closing of the Offering, incurred primarily in connection with: (a) the redemption of the Corporation's 5,000,000 First Preference Shares, Series C on July 10, 2013; (b) the construction of the Waneta Expansion; and (c) equity injections into certain of the Corporation's subsidiaries; and (ii) for other general corporate purposes.

#### **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement dated July 9, 2013 (the "Underwriting Agreement") among Fortis and the Underwriters, Fortis has agreed to issue and sell, and the Underwriters have agreed to purchase, as principals, on the Closing Date, 10,000,000 Series K First Preference Shares offered hereby at the Offering Price of \$25.00 per Series K First Preference Share, payable in cash to Fortis against delivery, subject to compliance with all of the necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Offering Price and other terms of the Offering were determined by negotiation between the Corporation and the Underwriters.

The Corporation has granted the Underwriters an Underwriters' Option exercisable in whole or in part at any time up to 48 hours prior to the closing time of the Offering on the Closing Date, to purchase up to 2,000,000 Additional Shares at the Offering Price. This Prospectus Supplement also qualifies the grant of the Underwriters' Option and the distribution of the securities issuable on the exercise of the Underwriters' Option.

The Corporation has agreed to pay fees to the Underwriters in the amount of \$0.25 per Series K First Preference Share sold to certain institutions and \$0.75 per Series K First Preference Share for all other Series K First Preference Shares purchased by the Underwriters, in consideration of services rendered by the Underwriters in connection with the Offering (the "Underwriters' Fee"). Assuming that no Series K First Preference Shares are sold to such institutions and no exercise of the Underwriters' Option, the total price to the public will be \$250,000,000, the Underwriters' Fee will be \$7,500,000 and the net proceeds to Fortis will be approximately \$241,850,000, after deducting the expenses of the Offering estimated at \$650,000 which will be paid out of the general funds of the Corporation. If the Underwriters' Option is exercised in full the total price to the public will be \$300,000,000, the Underwriters' Fee will be \$9,000,000 and the net proceeds to Fortis will be approximately \$290,350,000.

Subscriptions for the Series K First Preference Shares 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 or about July 18, 2013, or such other date as may be agreed upon by the Corporation and the Underwriters, but not later than July 31, 2013.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Series K First Preference Shares ends and all stabilization arrangements relating to the Series K First Preference Shares are terminated, bid for or purchase Series K First Preference Shares. The foregoing restrictions are subject to certain exceptions including: (a) a bid for or purchase of Series K First Preference Shares if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules administered by the Investment Industry Regulating Organization of Canada relating to market stabilization and passive market making activities; and (b) a bid or purchase made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation did not occur during the period of distribution. The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Series K First Preference Shares is for the purpose of maintaining a fair and orderly market in the Series K First Preference Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Series K First Preference Shares and the Series L First Preference Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the "1933 Act") or any state securities laws and may not be offered, sold or delivered, directly or indirectly, in the United States unless registered under the 1933 Act or in transactions exempt from the registration requirements of the 1933 Act and in compliance with any applicable state securities laws. The Underwriters have agreed that they will not offer or sell the Series K First Preference Shares within the United States, its territories, its possessions and other areas subject to its jurisdiction except in accordance with the Underwriting Agreement pursuant to the exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of the Offering, an offer or sale of Series K First Preference Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in accordance with Rule 144A.

The obligations of the Underwriters under the Underwriting 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. The Underwriters are, however, obligated to take up and pay for all of the Series K First Preference Shares if any are purchased under the Underwriting Agreement. Under the terms of the Underwriting Agreement, the Underwriters may be entitled to indemnification by the Corporation against certain liabilities, including liabilities for a misrepresentation in this Prospectus Supplement or the Prospectus.

The Underwriters propose to offer the Series K First Preference Shares initially at the Offering Price set forth on the cover page of this Prospectus Supplement. After the Underwriters have made reasonable efforts to sell all the Series K First Preference Shares at the Offering Price, the Underwriters may sell the Series K First Preference Shares to the public at prices below the Offering Price. Any such reduction will not affect the proceeds received by the Corporation.

Each of TDSI, CIBC, Scotia Capital, BMO, NB Financial, RBC, Desjardins Securities and HSBC Securities 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, the Corporation and/or its subsidiaries (the "Existing Indebtedness"). All or a portion of the net proceeds from the Offering will be used towards repaying indebtedness under credit facilities owing by the Corporation and/or its subsidiaries, a portion of which may be owing to certain of such banks or their affiliates. Consequently, the Corporation may be considered a "connected issuer" of these Underwriters within the meaning of applicable securities legislation. None of these Underwriters will receive any direct benefit from the Offering other than the Underwriters' Fee relating to the Offering. The decision to distribute the Series K First Preference Shares hereunder and the determination of the terms of the Offering were made through negotiation between the Corporation and the Underwriters. No bank had any involvement in such decision or determination. As at July 5, 2013, an aggregate of approximately \$836 million was outstanding under the Existing Indebtedness. Fortis and/or its subsidiaries are in compliance with their respective obligations under the Existing Indebtedness. Since the execution of the agreements governing the Existing Indebtedness, no breach thereunder has been waived by the lenders thereunder. See "Use of Proceeds".

**There is currently no market through which the Series K First Preference Shares may be sold and purchasers may not be able to resell Series K First Preference Shares purchased under this Prospectus Supplement. This may affect the pricing of the Series K First Preference Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series K First Preference Shares and the extent of issuer regulation. The TSX has conditionally approved the listing of the Series K First Preference Shares and the Series L First Preference Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before October 6, 2013.**

#### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to Fortis, and, Stikeman Elliott LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series K First Preference Shares acquired pursuant to this Prospectus Supplement and the Prospectus (a "Holder") who, at all relevant times for purposes of the Tax Act: (i) is or is deemed to be a resident of Canada; (ii) deals at arm's length and is not affiliated with Fortis; (iii) holds Series K First Preference Shares and any Series L First Preference Shares acquired upon the conversion of Series K First Preference Shares (collectively,



the "Securities") as capital property; (iv) is not exempt from tax under Part I of the Tax Act; and (v) has not entered into, with respect to any Securities, a "derivative forward agreement" as that term is defined in proposed amendments contained in a Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013. Generally, the Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders whose Securities do not otherwise qualify as capital property may make, in certain circumstances, the irrevocable election under subsection 39(4) of the Tax Act to have such shares and every "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year of the election and all subsequent years deemed to be capital property.

This summary does not apply to a Holder: (i) that is a "financial institution" for the purposes of the "mark-to-market" rules; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment"; or (iv) that has elected to determine its "Canadian tax results" in a currency other than Canadian dollars in accordance with the "functional currency" rules, as each of those terms is defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof and counsel's understanding of the current published administrative practices of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations.

**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. This summary is not exhaustive of all possible income tax considerations under the Tax Act that may affect a Holder. The income tax consequences of acquiring and disposing of a Security will vary depending on a number of facts, including the legal status of the Holder as an individual, corporation, trust or partnership. Accordingly, prospective Holders of Securities should consult their own tax advisors with respect to their particular circumstances and the tax consequences to them of holding and disposing of a Securities.**

#### *Conversion*

The exercise by a Holder of the right to convert such Holder's Series K First Preference Share into a Series L First Preference Share or the automatic conversion of a Series K First Preference Share into a Series L First Preference Share will be deemed not to constitute a disposition of such Series K First Preference Share and will not give rise to a capital gain or capital loss to such Holder. The cost to the Holder of the Series L First Preference Share issued on such conversion will be the adjusted cost base to such Holder of such Series K First Preference Share immediately before such conversion. The adjusted cost base of all Series L First Preference Shares of the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

The exercise by a Holder of the right to convert such Holder's Series L First Preference Share into a Series K First Preference Share or the automatic conversion of a Series L First Preference Share into a Series K First Preference Share will be deemed not to constitute the disposition of such Series L First Preference Share and will not give rise to a capital gain or capital loss to such Holder. The cost to the Holder of the Series K First Preference Share issued on such conversion will be the adjusted cost base to such Holder of such Series L First Preference Share immediately before such conversion. The adjusted cost base of all Series K First Preference Shares of the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

#### *Dividends*

Dividends, including deemed dividends, received on the Series K First Preference Shares or the Series L First Preference Shares by a Holder who is an individual must be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by Fortis as "eligible dividends". There may be limitations on the ability of a corporation to designate dividends as eligible dividends. Fortis has advised counsel it intends to designate all dividends paid on the Series K First Preference Shares and Series L First Preference Shares as eligible dividends for these purposes. Taxable dividends received by an individual or a trust (other than certain specified trusts) may give rise to alternative minimum tax under the Tax Act.

Dividends, including deemed dividends, received on the Series K First Preference Shares or the Series L First Preference Shares by a Holder that is a corporation must be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series K First Preference Shares and the Series L First Preference Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series K First Preference Shares and the terms of the Series L First Preference Shares require Fortis to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to the 10% tax payable under Part IV.1 of the Tax Act on dividends received, or deemed to be received, on the Series K First Preference Shares and the Series L First Preference Shares.

A "private corporation" (as defined in the Tax Act) or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received, or deemed to be received, on

the Series K First Preference Shares and the Series L First Preference Shares, to the extent such dividends are deductible in computing its taxable income.

### ***Redemptions***

If Fortis redeems or otherwise acquires a Series K First Preference Share or a Series L First Preference Share (otherwise than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by Fortis in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. Generally, the difference between the amount paid by Fortis and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such share. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

### ***Dispositions***

A Holder who disposes of, or is deemed to dispose of, Series K First Preference Shares or Series L First Preference Shares (either on redemption of the shares or other acquisition by Fortis otherwise than on a conversion) will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by Fortis of any such shares (see "Redemptions" above) will not generally be included in computing the proceeds of disposition for such shares.

If the Holder is a corporation, any capital loss arising on the disposition of a Series K First Preference Share or Series L First Preference Share, as the case may be, may be reduced, in certain circumstances, by the amount of any dividends, including deemed dividends, which have been received on such share (or the share converted into such share) to the extent and under the circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

### ***Capital Gains and Capital Losses***

One-half of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year must be included in the Holder's income in that year and one-half of any capital loss (an "allowable capital loss") realized by a Holder in a taxation year will be deducted from the Holder's taxable capital gains in that year. Allowable capital losses in excess of taxable capital gains 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.

Capital gains realized by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax under the Tax Act. A Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6 2/3% on investment income (including taxable capital gains).

## **RISK FACTORS**

An investment in the Series K First Preference Shares offered hereby involves certain risks in addition to those described in the Corporation's Annual MD&A (at pages 49 to 66) and in the Corporation's First Quarter MD&A (at pages 28 to 30), each of which is incorporated by reference herein. See also "Risk Factors" in the Prospectus. Before investing, prospective purchasers of Series K First Preference Shares should carefully consider, in light of their own financial circumstances, the factors set out below which relate to the Series K First Preference Shares and the Series L First Preference Shares, as well as the other information contained or incorporated by reference in the Prospectus.

### **Terms of Series K First Preference Shares and Series L First Preference Shares**

The value of the Series K First Preference Shares and the Series L First Preference Shares will be affected by the general creditworthiness of the Corporation. The Annual MD&A and the First Quarter MD&A discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Series K First Preference Shares or the Series L First Preference Shares, if any, may affect the market value of such shares. In addition, real or anticipated changes in credit ratings can affect the cost at which the Corporation can transact or obtain funding, and thereby affect the Corporation's liquidity, business, financial condition or results of operations.

Equity and debt capital market conditions and volatility can affect the market price of the Series K First Preference Shares and the Series L First Preference Shares for reasons unrelated to the Corporation's performance.

Reference is made to "Earnings Coverage Ratio" in this Prospectus Supplement, which is relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series K First Preference Shares or the Series L First Preference Shares.

The Series K First Preference Shares rank, and the Series L First Preference Shares will, if and when issued, rank, equally with other First Preference Shares of the Corporation in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation's assets must be used to pay liabilities and other debt, including subordinated debt, before payments may be made on the Series K First Preference Shares or the Series L First Preference Shares.

Prevailing yields on similar securities will affect the market value of the Series K First Preference Shares and the Series L First Preference Shares. Assuming all other factors remain unchanged, the market value of the Series K First Preference Shares and the Series L First Preference Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Bond Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series K First Preference Shares and the Series L First Preference Shares in an analogous manner.

Neither the Series K First Preference Shares nor the Series L First Preference Shares have a fixed maturity date, or are redeemable at the option of their holders. As a result, the ability of a holder to liquidate its holdings of Series K First Preference Shares or Series L First Preference Shares, as applicable, may be limited.

The Corporation may choose to redeem the Series K First Preference Shares or the Series L First Preference Shares, in accordance with its rights described under "Details of the Offering—Specific Provisions of the Series K First Preference Shares—Redemption" and "Details of the Offering—Specific Provisions of the Series L First Preference Shares—Redemption", including when prevailing interest rates are lower than the yield borne by the Series K First Preference Shares or Series L First Preference Shares, as applicable. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series K First Preference Shares or Series L First Preference Shares being redeemed. The Corporation's redemption right may also adversely impact a purchaser's ability to sell Series K First Preference Shares or Series L First Preference Shares, as applicable.

The dividend rate in respect of the Series K First Preference Shares and the Series L First Preference Shares will, following the Initial Fixed Rate Period, reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

An investment in the Series K First Preference Shares may become an investment in Series L First Preference Shares without the consent of the holder in the event of an automatic conversion in the circumstances described under "Details of the Offering – Specific Provisions of the Series K First Preference Shares – Conversion of Series K First Preference Shares into Series L First Preference Shares" above. Upon the automatic conversion of the Series K First Preference Shares into Series L First Preference Shares, the dividend rate on the Series L First Preference Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate, which may vary from time to time.

Dividends on the Series K First Preference Shares and Series L First Preference Shares are payable at the discretion of the Board of Directors. The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

There is currently no market through which the Series K First Preference Shares may be sold and purchasers of Series K First Preference Shares may not be able to resell the Series K First Preference Shares purchased under this Prospectus Supplement. The price offered to the public for the Series K First Preference Shares and the number of Series K First Preference Shares to be issued have been determined by negotiations between the Corporation and the Underwriters. The price paid for each Series K First Preference Share may bear no relationship to the price at which the Series K First Preference Shares will trade in the public market subsequent to this Offering. The Corporation cannot predict at what price the Series K First Preference Shares will trade and there can be no assurance that an active trading market will develop for the Series K First Preference Shares after the Offering or for the Series L First Preference Shares following the issuance of any of those shares, or if developed, that such market will be sustained at the Offering Price of the Series K First Preference Shares or the issue price of the Series L First Preference Shares. The TSX has conditionally approved the listing of the Series K First Preference Shares and Series L First Preference Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before October 6, 2013.

The Series L First Preference Shares have not been assigned credit ratings and there can be no assurance that they will, once issued, be assigned credit ratings comparable to the credit ratings of the Series K First Preference Shares.

#### **AUDITORS**

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants ("Ernst & Young"), The Fortis Building, 7th Floor, 139 Water Street, St. John's, Newfoundland and Labrador A1C 1B2. Ernst & Young report that they are independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Newfoundland.

## **LEGAL MATTERS**

Certain legal matters relating to this Offering will be passed upon on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John's and on behalf of the Underwriters 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 securities of the Corporation or any associate or affiliate of the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series K First Preference Shares and the Series L First Preference Shares is Computershare Trust Company of Canada in Toronto and Montréal.

## **PURCHASERS' STATUTORY RIGHTS**

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

## CERTIFICATE OF THE UNDERWRITERS

Dated: July 9, 2013

To the best of our knowledge, information and belief, the short form prospectus dated May 10, 2012, 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.

**TD SECURITIES INC.**

(Signed) Harold R. Holloway

**CIBC WORLD MARKETS INC.**

(Signed) David H. Williams

**SCOTIA CAPITAL INC.**

(Signed) Stuart Lochray

**BMO NESBITT BURNS INC.**

(Signed) James A. Tower

**NATIONAL BANK FINANCIAL INC.**

(Signed) Iain Watson

**RBC DOMINION SECURITIES INC.**

(Signed) David Dal Bello

**DESJARDINS SECURITIES INC.**

(Signed) A. Thomas Little

**CANACCORD GENUITY CORP.**

(Signed) Steve Winokur

**HSBC SECURITIES (CANADA) INC.**

(Signed) Laura McElwain