

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of 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. The securities being offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, except in limited circumstances, will not be offered or sold within the United States or for the account or benefit of United States persons. See "Plan of Distribution".

SHORT FORM PROSPECTUS

New Issue

June 29, 2009

FORTIS INC.



\$200,000,000

6.51% SENIOR UNSECURED DEBENTURES DUE JULY 4, 2039

The 6.51% senior unsecured debentures (the "Debentures") of Fortis Inc. ("Fortis" or the "Corporation") being offered hereby will mature on July 4, 2039. The Debentures will be issued in denominations of \$1,000 and integral multiples thereof. Interest on the Debentures will be payable in equal instalments semi-annually in arrears on January 4 and July 4 of each year, commencing on January 4, 2010. The Debentures will be direct senior unsecured unsubordinated obligations of Fortis and payment of the principal of and interest on the Debentures will rank *pari passu* with all other present and future unsecured and unsubordinated senior indebtedness of the Corporation.

The Corporation may, at its option, in whole at any time or in part from time to time before maturity, on not less than 30 days' and not more than 60 days' prior notice, redeem the Debentures at a redemption price equal to the greater of the principal amount of the Debentures to be redeemed and the Canada Yield Price (as defined herein) of the principal amount thereof to be redeemed, together, in each case, with accrued but unpaid interest to but excluding the date fixed for redemption. See "Details of the Offering — Redemption".

Investing in the Debentures involves certain risks that should be considered by a prospective purchaser. See "Risk Factors".

Price: \$999.34 per Debenture to yield 6.51% per annum

	<u>Price to the Public</u>	<u>Agents' Fee⁽¹⁾</u>	<u>Net Proceeds to Fortis⁽²⁾</u>
Per \$1,000 principal amount of Debentures	\$999.34	\$5.00	\$994.34
Total	\$199,868,000	\$1,000,000	\$198,868,000

(1) Consisting of the Agents' fee of \$5.00 per \$1,000.00 principal amount of Debentures.

(2) Before deducting expenses of the issue estimated at \$575,000 which, together with the Agents' fees, will be paid out of the general funds of Fortis. See "Plan of Distribution".

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

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc. (collectively, the “Agents”) have agreed to use their reasonable best efforts to sell the Debentures offered by this short form prospectus (the “Offering”) from the Corporation at 99.934% of their principal amount subject to the terms and conditions set forth in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Corporation by Davies Ward Phillips & Vineberg LLP, Toronto and McInnes Cooper, St. John’s and on behalf of the Agents by Stikeman Elliott LLP, and will receive an aggregate fee of \$1,000,000, assuming the full amount of the Debentures offered are sold. In the event the full amount of the Debentures are not sold, the fee paid to the Agents will be pro-rated accordingly.

Each of the Agents is a subsidiary of a Canadian chartered bank that has, either solely, together with its affiliates, or as a member of a syndicate of financial institutions, extended credit facilities to, or holds indebtedness of, the Corporation and/or its subsidiaries. A portion of the net proceeds from the Offering will be used to repay in full the outstanding indebtedness under the credit facility owing by the Corporation to such banks. Consequently, the Corporation may be considered a “connected issuer” of these Agents within the meaning of applicable securities legislation. See “Use of Proceeds” and “Plan of Distribution”.

Subscriptions for the Debentures 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 2, 2009 (the “Closing Date”), or such other date as may be agreed upon by the Corporation and the Agents, but not later than July 15, 2009. A book entry only certificate representing the Debentures distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. (“CDS”) or a nominee thereof and will be deposited with CDS on the Closing Date. No certificates evidencing the Debentures will be issued to purchasers, except in certain limited circumstances, and registration will be made using the depository services of CDS. A purchaser of Debentures will receive only a customer confirmation from a registered dealer who is a CDS participant from or through whom the Debentures are purchased. See “Book-Entry Only System”.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus (the “Prospectus”), including the documents incorporated herein by reference, contains forward-looking information which reflects management’s expectations regarding the future growth, results of operations, performance, business prospects and opportunities of Fortis Inc. (“Fortis” or the “Corporation”), 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”, “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, including the documents incorporated herein by reference, includes, but is not limited to, statements regarding: the expected timing of regulatory decisions; consolidated forecasted gross capital expenditures for 2009 and in total over the next five years; the nature, timing and costs associated with certain capital projects; the expected impacts on Fortis of the downturn in the global economy; the electricity sales growth rate expected at the Corporation’s regulated utilities in the Caribbean in 2009; the expectation of no significant decrease in annual consolidated operating cash flows in 2009; the expectation that the subsidiaries will be able to source the cash required to fund their 2009 capital expenditure programs; the expectation that the Corporation and its subsidiaries will continue to have reasonable access to long-term capital in the near to medium terms; expected long-term debt maturities and repayments on average annually over the next five years; no material increase in interest expense and/or fees associated with renewed and extended credit facilities being expected in 2009; no material adverse credit rating actions being expected in the near term; the expectation that counterparties to the Terasen Gas companies’ gas derivative contracts will continue to meet their obligations; and the expectation of no material increase in defined benefit pension expense in 2009. 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 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 event; the continued ability to maintain the gas and electricity systems to ensure their continued performance; no significant decline in capital spending in 2009; no severe and prolonged downturn in economic conditions; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms to flow through the commodity cost of natural gas and energy supply costs in customer rates; the continued ability to hedge exposures to fluctuations in interest rates, foreign exchange rates and natural gas commodity prices; no significant variability in interest rates; 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 supply; the continued ability to fund defined benefit pension plans; the absence of significant changes in government energy plans and environmental laws that may materially affect the operations and cash

flows of the Corporation and its subsidiaries; maintenance of adequate insurance coverage; the ability to obtain and maintain licences and permits; retention of existing service areas; no material decrease in market energy sales prices; 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; operating and maintenance risks; economic conditions; capital resources and liquidity risk; weather and seasonality; an ultimate resolution of the expropriation of the assets of the Exploits River Hydro Partnership that differs from what is currently expected by management; commodity price risk; derivative financial instruments and hedging; interest rate risk; counterparty risk; competitiveness of natural gas; natural gas supply; defined benefit pension plan performance and funding requirements; risks related to the development of the Terasen Gas (Vancouver Island) Inc. franchise; the Government of British Columbia's Energy Plan; environmental risks; insurance coverage risk; an unexpected outcome of legal proceedings currently against the Corporation; licences and permits; loss of service area; market energy sales prices; transition to International Financial Reporting Standards; changes in tax legislation; First Nations' lands; labour relations; and human resources. For additional information with respect to the Corporation's risk factors and risk factors relating to the Debentures, reference should be made to the section of this Prospectus entitled "Risk Factors".

All forward-looking information in this Prospectus and in the documents incorporated herein 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

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:

- (a) Annual Information Form dated March 13, 2009 for the year ended December 31, 2008;
- (b) audited comparative consolidated financial statements as at December 31, 2008 and for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon dated January 30, 2009, as contained in the Corporation's 2008 Annual Report;
- (c) Management Discussion and Analysis of financial condition and results of operations for the year ended December 31, 2008, as contained in the Corporation's 2008 Annual Report;
- (d) unaudited comparative interim consolidated financial statements as at March 31, 2009 and for the three months ended March 31, 2009 and 2008, together with the notes thereto;
- (e) Management Discussion and Analysis of financial condition and results of operations for the three months ended March 31, 2009; and
- (f) Management Information Circular dated April 3, 2009 prepared in connection with the Corporation's annual meeting of shareholders held on May 5, 2009.

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, and prior to the termination of the Offering, shall be deemed to be incorporated by reference into the Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus 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.

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 or under the Corporation's profile on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com. The information contained on, or accessible through, any of these websites is not incorporated by reference into the Prospectus and is not, and should not be considered to be, a part of 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 Agents, the Debentures being offered pursuant to this Prospectus, 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, registered retirement income fund, deferred profit sharing plan ("DPSP") (other than a trust governed by a DPSP for which any employer is the Corporation or is an employer that does not deal at arm's length with the Corporation for purposes of the Tax Act), registered education savings plan, registered disability savings plan or a tax-free savings account ("TFSA"). The Debentures will not be "prohibited investments" for a TFSA where the holder of the TFSA is not a "specified shareholder" of the Corporation, and the Corporation deals at arm's length with such holder for purposes of the Tax Act and any person in which such holder has a "significant interest", as each such term is defined in the Tax Act.

CURRENCY

All dollar amounts in the Prospectus are expressed in Canadian dollars unless otherwise indicated.

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 the Prospectus and in the documents incorporated by reference herein. Unless otherwise noted or the context otherwise indicates, "Corporation" refers to Fortis Inc. All capitalized terms used but not defined in this Summary are defined under the heading "Details of the Offering — Definitions".

The Offering

Offering: \$200,000,000 principal amount of 6.51% senior unsecured debentures (the "Debentures").

Interest: 6.51% per annum from the date of issue, accrued daily and calculated and payable in equal instalments semi-annually in arrears on January 4 and July 4 of each year, commencing January 4, 2010. The initial interest payment, payable on January 4, 2010, will be \$32.91 per \$1,000 principal amount of Debentures. See "Details of the Offering — Interest Rate and Maturity".

Maturity Date: July 4, 2039.

Redemption: The Corporation may, at its option, in whole at any time or in part from time to time before maturity, on not less than 30 days' and not more than 60 days' prior notice, redeem the Debentures at a price equal to the greater of the principal amount of the Debentures to be redeemed and the Canada Yield Price (as defined below) of the principal amount thereof to be redeemed, together, in each case, with accrued but unpaid interest to but excluding the date fixed for redemption. See "Details of the Offering — Redemption".

"Canada Yield Price" means the price, in respect of the principal amount of the Debentures to be redeemed, calculated as of the business day immediately prior to the business day on which the Corporation gives notice of a redemption of Debentures, equal to the net present value of all scheduled payments of interest and principal on the Debentures from the date of redemption to the date of maturity, using as a discount rate the sum of the Canada Yield (as defined below) on such business day plus 0.65%.

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

Ranking: The Debentures will be direct, senior unsecured unsubordinated obligations of Fortis and payment of the principal of and interest on and other amounts owing in respect of the Debentures will rank *pari passu* with all other present and future unsecured and unsubordinated senior Indebtedness of Fortis and shall have priority over all present and future Subordinated Debt of Fortis. The trust indenture pursuant to which the Debentures will be issued permits the issuance from time to time of an unlimited aggregate principal amount of debentures in one or more series. See "Details of the Offering — Ranking" and "Details of the Offering — Trust Indenture".

Use of Proceeds:

If the full aggregate amount of the Debentures being offered hereby are sold, the estimated net proceeds of the Offering to Fortis will be \$198,293,000 (determined after deducting the agents' fee and estimated expenses of the Offering payable by Fortis). The net proceeds of the Offering will be used to repay in full the outstanding indebtedness of approximately \$110 million under the Corporation's \$600 million committed credit facility and for general corporate purposes. Indebtedness under the Corporation's credit facility was incurred for general corporate purposes and to fund equity injections into the Corporation's utilities in support of their capital expenditure programs. See "Use of Proceeds".

Covenants:

The indenture governing the Debentures will contain certain covenants of the Corporation, including, among other things: (i) that the Corporation shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on any property or asset now owned or later acquired other than permitted liens; (ii) that the Corporation shall not, and shall take all necessary corporate action to ensure that its Material Subsidiaries shall not, incur any Funded Obligation if immediately thereafter the Corporation's Consolidated Funded Obligations would be in excess of 75% of its Total Consolidated Capitalization; and (iii) that the Corporation shall not declare or pay any dividend (other than stock dividends or cumulative preferred dividends on preferred shares not issued as stock dividends) or make any other distribution on its shares or redeem any of its shares or prepay Subordinated Debt if immediately thereafter the Corporation's Consolidated Funded Obligations would be in excess of 75% of its Total Consolidated Capitalization. See "Details of the Offering — Certain Covenants of the Corporation".

Ratings:

The Debentures have received provisional ratings of "BBB (high)" with a stable trend by DBRS Limited and "A-" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation. See "Ratings".

Repurchase Upon Change of Control Event:

Upon a Change of Control Event, the Corporation will be required to offer to repurchase from each holder of Debentures all or any portion of such holder's Debentures. The offer must be made within five days of the Change of Control Event and must specify a proposed repurchase date not less than 30 days and not more than 60 days after the date of such offer. Any repurchase of Debentures shall be at 100% of the principal amount of such Debentures, together with interest on such Debentures accrued to the date of repurchase. See "Details of the Offering — Repurchase of Debentures Upon Change of Control Event".

Purchase for Cancellation:

The Corporation shall have the right to purchase Debentures in the market, by tender or private contract, from time to time. Any Debentures purchased by the Corporation shall be cancelled and no Debenture shall be issued in substitution therefore. See "Details of the Offering — Purchase of Debentures for Cancellation".

Listing:

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

Earnings Coverage:

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

Risk Factors:

An investment in Debentures involves certain risks. See "Risk Factors".

FORTIS

Fortis Inc. (“Fortis” or the “Corporation”) was incorporated as 81800 Canada Ltd. under the *Canada Business Corporations Act* on June 28, 1977. The Corporation was continued under the *Corporations Act* (Newfoundland) on August 28, 1987 and on October 13, 1987 the Corporation amended its articles to change its name to “Fortis Inc.” The address of the head office and principal place of business of the Corporation is The Fortis Building, Suite 1201, 139 Water Street, St. John’s, Newfoundland and Labrador A1B 3T2.

Fortis is the largest investor-owned distribution utility in Canada. As at March 31, 2009, the Corporation had total assets approaching \$12 billion and annual revenues for 2008 totalling \$3.9 billion, the Corporation serves more than 2,000,000 gas and electricity customers. Its regulated holdings include electric distribution utilities in five Canadian provinces and three Caribbean countries and a natural gas distribution utility in British Columbia. Regulated utility assets comprise approximately 92% of the Corporation’s total assets, with the balance comprised of non-regulated generation assets and commercial real estate and hotels. Fortis is the direct owner of all of the common shares of Terasen Inc. (“Terasen”), a company that, through its subsidiaries, is the principal distributor of natural gas in British Columbia. Fortis is the indirect owner of all of the common shares of FortisAlberta Inc. (“FortisAlberta”), a regulated electric utility that distributes electricity generated by other market participants in Alberta, and FortisBC Inc. (“FortisBC”), a regulated electric utility that generates, transmits and distributes electricity in British Columbia. Fortis also holds all of the common shares of Newfoundland Power Inc. (“Newfoundland Power”) and, through its non-regulated wholly owned subsidiary Fortis Properties Corporation (“Fortis Properties”), holds all of the common shares of Maritime Electric Company, Limited (“Maritime Electric”), which are the principal distributors of electricity in Newfoundland and Prince Edward Island, respectively. As well, through its wholly owned subsidiary FortisOntario Inc. (“FortisOntario”) and its subsidiaries, Canadian Niagara Power Inc. (“CNPI”) and Cornwall Street Railway, Light and Power Company, Limited, Fortis provides an integrated electric utility service to customers primarily in Fort Erie, Cornwall, Gananoque and Port Colborne in Ontario.

The Corporation’s regulated electric utility assets in the Caribbean consist of its ownership, through wholly owned subsidiaries, of an approximate 70% controlling interest in Belize Electricity Limited (“Belize Electricity”), the principal distributor of electricity in Belize, Central America, and an approximate 57% controlling interest in Caribbean Utilities Company, Ltd. (“Caribbean Utilities”), the sole provider of electricity on Grand Cayman, Cayman Islands. Fortis also owns, through a wholly owned subsidiary, P.P.C. Limited and Atlantic Equipment & Power (Turks and Caicos) Ltd. (together, “Fortis Turks and Caicos”), the principal distributor of electricity on the Turks and Caicos Islands.

The Corporation’s non-regulated electricity generation operations consist of its 100% interest in each of Belize Electric Company Limited (“BECOL”), FortisOntario and non-regulated generation assets owned either directly or indirectly by FortisBC, Fortis Properties and Fortis.

BECOL owns and operates the 25-megawatt (“MW”) Mollejon and 7-MW Chalillo hydroelectric generating facilities, both of which are located on the Macal River in Belize. Construction of the U.S.\$53 million 19-MW Vaca hydroelectric generating facility, also located on the Macal River, commenced in May 2007 and the facility is expected to come into service at the beginning of 2010. FortisOntario includes the operation of a 5-MW gas-fired cogeneration plant in Cornwall. The non-regulated electricity generation operations of FortisBC consist of the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia.

Through FortisUS Energy Corporation (“FortisUS Energy”), an indirect wholly owned subsidiary of Fortis, the Corporation owns and operates four hydroelectric generating stations in upper New York State with a total combined capacity of approximately 23 MW. The operations of FortisUS Energy are managed by Fortis Properties.

Fortis Properties is also the direct owner of a 51% interest in the Exploits River Hydro Partnership (the “Exploits Partnership”). The Exploits Partnership was established with AbitibiBowater Inc., formerly Abitibi-Consolidated Company of Canada (“Abitibi”), which holds the remaining 49% interest. The Exploits Partnership was established to develop additional capacity at Abitibi’s hydroelectric generating plant at Grand Falls-Windsor and redevelop Abitibi’s hydroelectric generating plant at Bishop’s Falls, both in central Newfoundland. See “Non-Regulated — Fortis Generation — Central Newfoundland”.

Fortis Properties also owns six small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW.

Through Fortis Properties, the Corporation owns 21 hotels in eight Canadian provinces and commercial real estate primarily in Atlantic Canada.

Regulated Gas Utilities — Canadian

Terasen

The natural gas distribution business of Terasen is one of the largest in Canada. With approximately 934,000 customers, Terasen's subsidiaries provide service to over 96% of gas users in British Columbia. Terasen Gas Inc. ("TGI") is the largest of these subsidiaries, serving approximately 835,500 customers in a service area extending from Vancouver to the Fraser Valley and the interior of British Columbia. Terasen Gas (Vancouver Island) Inc. ("TGVI") owns and operates the natural gas transmission pipeline from the Greater Vancouver area across the Georgia Strait to Vancouver Island and the distribution system on Vancouver Island and along the Sunshine Coast, serving approximately 96,000 customers. In addition to providing transmission and distribution services to customers, TGI and TGVI also obtain natural gas supplies on behalf of most residential and commercial customers. Gas supplies are sourced primarily from northeastern British Columbia and Alberta. Terasen Gas (Whistler) Inc. owns and operates the newly-converted natural gas distribution system in Whistler, British Columbia, providing service to approximately 2,500 residential and commercial customers. The natural gas pipeline from Squamish to Whistler was completed during the spring of 2009 with the conversion of customer appliances expected to be completed in the late summer of 2009. The Terasen companies own and operate more than 46,000 kilometres of natural gas distribution and transmission pipelines and, as of March 31, 2009, had met a peak day demand of 1,234 terajoules for 2009.

Regulated Electric Utilities — Canadian

FortisAlberta

FortisAlberta distributes electricity to approximately 463,000 customers in Alberta using approximately 108,400 kilometres of distribution lines and, as of March 31, 2009, had met a peak demand of 3,117 MW for 2009. FortisAlberta's business is the ownership and operation of regulated electricity distribution facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers in central and southern Alberta. FortisAlberta is not involved in the generation, transmission or direct sale of electricity.

FortisBC

FortisBC is an integrated, regulated electric utility that owns a network of generation, transmission and distribution assets located in the southern interior of British Columbia. FortisBC serves a diverse mix of approximately 158,000 customers, with residential customers representing the largest customer segment, and, as of March 31, 2009, had met a peak demand of 714 MW for 2009. FortisBC owns four regulated hydroelectric generating plants with an aggregate capacity of 223 MW that provide approximately 45% of FortisBC's energy and 30% of its capacity needs. FortisBC's remaining electricity supply is acquired through long-term power purchase contracts and short-term market purchases. FortisBC's business also includes operating, maintenance and management services relating to the 450-MW Waneta hydroelectric generation facility owned by Teck Cominco Metals Ltd., the 269-MW Brilliant Hydroelectric Plant and the 185-MW Arrow Lakes Hydroelectric Plant, each owned by Columbia Power Corporation and Columbia Basin Trust, and the distribution system owned by the City of Kelowna.

Newfoundland Power

Newfoundland Power is an electric utility that operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. Newfoundland Power serves approximately 237,000 customers, or approximately 85% of electricity consumers in the Province, and, as of March 31, 2009, had met a peak demand of 1,219 MW for 2009. Approximately 92% of the electricity that Newfoundland Power sells to its customers is purchased from Newfoundland and Labrador Hydro Corporation ("Newfoundland Hydro"). Currently, Newfoundland Power has an installed generating capacity of 140 MW, of which 97 MW is hydroelectric generation.

Maritime Electric

Maritime Electric is an electric utility that operates an integrated generation, transmission and distribution system on Prince Edward Island. Maritime Electric directly supplies approximately 73,000 customers, or approximately 90% of electricity consumers on the Island, and, as of March 31, 2009, had met a peak demand of 211 MW for 2009. Maritime Electric purchases most of the energy it distributes to its customers from New Brunswick Power Corporation and maintains on-Island generating facilities with an aggregate capacity of 150 MW.

FortisOntario

FortisOntario's distribution operations serve approximately 52,000 customers in the Fort Erie, Cornwall, Gananoque and Port Colborne areas of Ontario and, as of March 31, 2009, had met a combined peak demand of 222 MW for 2009. Through CNPI, FortisOntario owns international transmission facilities at Fort Erie and owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Incorporated, three regional electric distribution companies that, together, serve more than 37,000 customers.

Regulated Electric Utilities — Caribbean

Belize Electricity

Fortis holds an indirect approximate 70% controlling ownership interest in Belize Electricity, the principal distributor of electricity in Belize, Central America. Belize Electricity directly supplies approximately 74,000 customers in Belize and, as of March 31, 2009, had met a peak demand of 69 MW for 2009.

Caribbean Utilities

Fortis holds an indirect approximate 57% controlling ownership interest in Caribbean Utilities. Caribbean Utilities has the exclusive right to distribute and transmit electricity on the island of Grand Cayman, Cayman Islands, pursuant to a 20-year licence entered into on April 3, 2008. Caribbean Utilities also entered into a non-exclusive 21.5-year power generation licence with the Government of the Cayman Islands on April 3, 2008.

Caribbean Utilities currently serves approximately 25,000 customers, has approximately 137 MW of installed generating capacity and, as of March 31, 2009, had met a peak demand of 85 MW for 2009. The Class A Ordinary Shares of Caribbean Utilities are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol CUP.U.

Fortis Turks and Caicos

Fortis Turks and Caicos serves approximately 9,500 customers, or approximately 85% of electricity consumers, on the Turks and Caicos Islands. Fortis Turks and Caicos is the principal distributor of electricity on Turks and Caicos pursuant to two 50-year licences that expire in 2036 and 2037, respectively. Fortis Turks and Caicos has an installed generating capacity of approximately 51 MW and, as of March 31, 2009, had met a peak demand of 26 MW for 2009.

Non-Regulated — Fortis Generation

Belize

Generation operations in Belize are conducted through BECOL under a franchise agreement with the Government of Belize. BECOL owns and operates the 25-MW Mollejon hydroelectric generating facility and the 7-MW Chalillo hydroelectric generating facility. Both facilities are located on the Macal River in Belize. These generating plants have the capacity of delivering average annual energy production of approximately 160 gigawatt hours ("GWh"). BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement expiring in 2055. In May 2007, BECOL began construction on the U.S.\$53 million 19-MW hydroelectric generating facility at Vaca on the Macal River in Belize. The facility is expected to come into service at the beginning of 2010.

The Minister of Public Utilities of Belize has issued a statutory instrument purporting to declare providers of electricity generation and water services, including BECOL, as public utility providers within the meaning of the Public Utilities Commission Act as of May 1, 2009. Fortis is currently assessing the statutory instrument and its impact on previously negotiated and Belize Public Utility Commission-approved power purchase agreements.

Ontario

Non-regulated generation operations in Ontario are conducted through FortisOntario and Fortis Properties and include the operation of a 5-MW gas-fired cogeneration plant in Cornwall and six small hydroelectric generating stations with a combined capacity of approximately 8 MW.

Central Newfoundland

Non-regulated generation operations in central Newfoundland are conducted through the Corporation's indirect 51% interest in the Exploits Partnership. These operations generate approximately 610 GWh annually, of which 470 GWh was utilized by Abitibi, while the remainder is sold to Newfoundland Hydro under a 30-year take-or-pay power purchase agreement expiring in 2033, which is exempt from regulation.

On December 16, 2008, the Government of Newfoundland and Labrador passed legislation expropriating most of the assets of Abitibi located in Newfoundland and Labrador. As a result, effective the first quarter of 2009, the financial results of the Exploits Partnership are being accounted for in the financial statements of Fortis using the equity method of accounting. Discussions are ongoing with various parties with respect to matters relating to the expropriation.

British Columbia

Non-regulated generation operations in British Columbia are conducted through FortisBC and consist of the 16-MW run-of-river Walden hydroelectric power plant near Lillooet. This plant sells its entire output to British Columbia Hydro & Power Authority under a power purchase agreement expiring in 2013.

Upper New York State

Non-regulated generation operations in upper New York State are conducted through FortisUS Energy and include the operations of four hydroelectric generating stations with a combined generating capacity of approximately 23 MW operating under licences from the United States Federal Energy Regulatory Commission. Since January 1, 2007, all four plants have been selling energy at current market rates.

Non-Regulated — Fortis Properties

In addition to its non-regulated generation operations, Fortis Properties owns and operates 21 hotels in eight Canadian provinces, including a hotel located in Ontario which was acquired in April 2009, with a total of more than 4,000 rooms and approximately 2.8 million square feet of commercial real estate primarily in Atlantic Canada.

CAPITAL RESOURCES

The Corporation's principal businesses of regulated gas and electric distribution require ongoing access to capital markets to allow them to fund maintenance and expansion of infrastructure and repay maturing debt. To meet short-term capital requirements, the Corporation and its larger regulated utility subsidiaries have secured multi-year committed credit facilities. As at March 31, 2009, the Corporation and its subsidiaries had consolidated authorized lines of credit of \$2.2 billion, of which \$1.6 billion was available to be drawn.

The Corporation and its subsidiaries will require new capital for the repayment of at least a portion of its maturing debt. As at March 31, 2009, long-term debt maturities over the next five years are expected to average approximately \$170 million annually.

RECENT DEVELOPMENTS

Financings

On June 2, 2009, FortisBC completed a \$105 million public offering of 6.10% senior unsecured medium term note debentures due 2039 under its shelf prospectus. On May 29, 2009, Caribbean Utilities completed the first tranche of a US\$40 million private placement of 7.5% senior unsecured notes due 2024 for gross proceeds of US\$30 million. On May 25, 2009, Newfoundland Power completed a \$65 million private placement of 6.606% first mortgage sinking fund bonds due 2039. The net proceeds from these financings are being used by these Fortis subsidiaries principally to repay a portion of their respective existing indebtedness.

FortisOntario

On April 30, 2009, a power-for-water exchange agreement between FortisOntario and Ontario Power Generation Inc., known as the Niagara Exchange Agreement, expired in accordance with its terms. The Niagara Exchange Agreement provided FortisOntario with a 75 MW water-right entitlement.

On June 23, 2009, FortisOntario entered into an agreement to acquire 100% of the shares of Great Lakes Power Distribution Inc. ("GLPD") from Brookfield Renewable Power Inc. for an estimated aggregate cash purchase price of \$68 million, subject to adjustment. The transaction is subject to Ontario Energy Board and *Competition Act* (Canada) approval. GLPD is a distribution utility with a service area of approximately 14,200 square kilometres extending 225 kilometres north and 93 kilometres east of Sault Ste. Marie, Ontario. GLPD's distribution system serves approximately 12,000 customers and has a peak load of approximately 40 MW.

CAPITALIZATION

The following table sets out the consolidated capitalization of the Corporation as at March 31, 2009 and after giving effect to the Offering. The financial information set out below should be read in conjunction with the Corporation's annual audited consolidated financial statements and unaudited interim consolidated financial statements and the notes thereto incorporated by reference into the Prospectus.

	Outstanding at March 31, 2009	<i>Pro forma</i> Outstanding at March 31, 2009
	(unaudited)	(unaudited)
	(in millions of dollars)	
Total debt (net of cash)	5,453	5,316 ⁽¹⁾⁽³⁾
Securities offered hereby	0	198
Preference shares ⁽²⁾	320	320
Shareholders' equity		
Common shares	2,462	2,473 ⁽¹⁾
Preference shares	347	347
Contributed surplus	9	9
Equity portion of convertible debentures	6	6
Accumulated other comprehensive loss	(43)	(43)
Retained earnings	682	682
Total capitalization	9,236	9,308

- (1) After giving effect to the Offering and the change in the common share capital and long-term debt from April 1, 2009 to June 25, 2009. See "Changes in Share and Loan Capital Structure".
- (2) These preference shares are classified as long-term liabilities in the financial statements of Fortis.
- (3) Securities offered hereby are net of after-tax agency fees and Offering expenses.

SHARE CAPITAL OF FORTIS

The authorized share capital of the Corporation consists of an unlimited number of common shares ("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 June 25, 2009, 170,310,963 Common Shares, 5,000,000 First Preference Shares, Series C, 7,993,500 First Preference Shares, Series E, 5,000,000 First Preference Shares, Series F and 9,200,000 First Preference Shares, Series G were issued and outstanding. The Corporation's Common Shares, First Preference Shares, Series C, First Preference Shares, Series E, First Preference Shares, Series F and First Preference Shares, Series G are listed on the TSX under the symbols "FTS", "FTS.PR.C", "FTS.PR.E", "FTS.PR.F" and "FTS.PR.G", respectively.

CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE

During the period from April 1, 2009 up to and including June 25, 2009, Fortis issued an aggregate of 552,309 Common Shares pursuant to the Corporation's Consumer Share Purchase Plan, Dividend Reinvestment Plan, Employee Share Purchase Plan and upon the exercise of options granted pursuant to the Executive and 2002 Stock Option Plans, for aggregate consideration of approximately \$11.2 million.

During the period from April 1, 2009 up to and including June 25, 2009, the Corporation's consolidated long-term debt and capital lease obligations (including the current portion) increased by approximately \$61 million.

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 and First Preference Shares, Series G on the TSX.

	Trading of Common Shares			Trading of First Preference Shares, Series C		
	TSX			TSX		
	High	Low	Volume	High	Low	Volume
	(\$)	(\$)	(#)	(\$)	(\$)	(#)
2008						
June	28.02	27.05	7,651,899	26.64	25.76	44,426
July	27.65	24.11	10,918,974	26.25	25.80	25,580
August	27.15	24.51	8,347,786	26.24	25.50	91,043
September	26.23	23.50	8,047,826	26.20	25.26	19,704
October	26.75	20.70	19,490,343	26.25	20.44	54,921
November	28.00	24.51	13,933,581	25.50	23.56	124,621
December	27.46	23.15	13,159,441	25.95	24.55	98,670
2009						
January	25.06	22.89	7,809,701	26.65	25.16	97,287
February	24.60	22.33	14,130,845	26.55	25.15	50,592
March	24.24	21.52	14,643,369	25.99	24.50	81,017
April	23.20	21.55	11,180,355	26.65	25.26	79,564
May	24.31	22.15	11,200,604	26.95	25.52	38,926
June 1 to 26	26.12	23.67	9,366,211	27.49	26.36	40,889

	Trading of First Preference Shares, Series E			Trading of First Preference Shares, Series F		
	TSX			TSX		
	High	Low	Volume	High	Low	Volume
	(\$)	(\$)	(#)	(\$)	(\$)	(#)
2008						
June	26.70	24.80	52,730	21.87	19.00	166,441
July	26.50	24.50	31,794	20.00	18.00	159,824
August	26.49	24.55	39,848	20.35	19.75	100,320
September	26.39	24.85	89,850	20.50	18.50	113,705
October	24.50	23.00	44,208	18.99	16.57	224,945
November	24.99	22.50	28,650	19.78	16.00	100,535
December	25.99	21.00	108,907	17.85	15.50	241,520
2009						
January	27.99	24.25	161,245	19.84	17.00	126,556
February	25.30	25.00	60,300	20.54	18.26	91,487
March	25.00	24.80	64,032	20.40	18.80	65,467
April	25.25	24.90	135,449	20.03	19.01	65,507
May	25.45	24.90	92,569	20.89	19.05	99,625
June 1 to 26	26.48	25.50	32,377	20.50	19.50	73,682

	Trading of First Preference Shares, Series G		
	TSX		
	High	Low	Volume
	(\$)	(\$)	(#)
2008			
June	25.50	24.95	263,022
July	25.52	25.01	124,660
August	25.98	25.25	114,417
September	25.80	25.10	156,866
October	25.45	20.00	70,985
November	24.00	18.00	181,916
December	22.00	17.00	296,675
2009			
January	23.00	19.90	128,062
February	23.98	22.29	83,648
March	23.70	21.50	88,211
April	25.00	22.44	117,185
May	25.49	23.94	152,290
June 1 to 26	25.75	24.70	114,491

EARNINGS COVERAGE RATIO

The Corporation’s interest and dividend requirements on all of its outstanding debt and First Preference Shares after giving effect to the issue of \$200,000,000 principal amount of 6.51% senior unsecured debentures (the “Debentures”) to be distributed under this Prospectus, and adjusted to a before-tax equivalent using an effective income tax rate of 19.3%, amounted to \$428 million and \$416 million for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009, respectively. The Corporation’s interest requirements for the 12 months ended December 31, 2008 and 12 months ended March 31, 2009 amounted to \$390 million and \$374 million, respectively. The Corporation’s earnings before interest and income tax for the 12 months ended December 31, 2008 and 12 months ended March 31, 2009 were \$687 million and \$684 million, respectively, which is 1.60 times and 1.64 times, respectively, the Corporation’s aggregate dividend and interest requirements for the periods.

RATINGS

The Debentures are provisionally rated “BBB (high)” with a stable trend by DBRS Limited (“DBRS”). “BBB (high)” is the fourth highest of DBRS’s ten rating categories for long-term debt obligations which range from AAA to D. Each rating category from AA to C is subject to a “high” and “low” designation to indicate the relative standing of the securities being rated within a particular rating category.

The Debentures are provisionally rated “A–” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation (“S&P”) using their global scale for long-term debt obligations. The “A–” rating is the third highest of the ten rating categories used by S&P for long-term debt, which range from AAA to D. S&P uses the “+” or “–” designation to reflect the relative strength within the rating category.

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 Debentures by these rating agencies are not recommendations to purchase, hold or sell the Debentures, 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.

DETAILS OF THE OFFERING

The following is a summary of the principal terms and conditions of the Debentures and of the Indenture (as defined below) under which they will be issued. This summary does not purport to be complete. For full particulars, reference should be made to the Indenture. Certain capitalized terms used in the following summary are defined under “Definitions” below.

Trust Indenture

The Debentures will be issued under a trust indenture (the “Indenture”) to be dated as of the date of closing of this Offering (the “Closing Date”), which is expected to occur on July 2, 2009, between the Corporation and Computershare Trust Company of Canada, as trustee (the “Trustee”).

The Indenture permits the issuance from time to time of an unlimited aggregate principal amount of debentures in one or more series. The Prospectus qualifies the distribution of the Debentures which will be issued in an aggregate principal amount of \$200,000,000. Additional series of debentures may be issued from time to time pursuant to supplemental indentures to be entered into in accordance with the terms and conditions of the Indenture.

The Corporation may increase at any time the aggregate principal amount of any outstanding series of debentures by issuing additional debentures of that series subject to any limitations as to the maximum principal amount of debentures of such particular series as set out in the Indenture (in respect of the Debentures) and any supplemental indenture (in respect of any other series of debentures). The aggregate principal amount of Debentures that may be issued under the Indenture is limited to the aggregate principal amount of Debentures being offered hereby.

Interest Rate and Maturity

The Debentures will be dated the Closing Date and will mature on July 4, 2039. The Debentures will be offered at 99.934% of their principal amount, plus accrued interest, if any, and will bear interest at a rate of 6.51% per annum. Principal and interest, accrued daily and calculated and payable in equal instalments semi-annually in arrears on January 4 and July 4 of each year, commencing January 4, 2010, and premium, if any, will be payable in lawful money of Canada. The initial interest payment, payable on January 4, 2010, will be \$32.91 per \$1,000 principal amount of Debentures.

Form of the Debentures and Transfer

The Debentures will be issued in “book-entry only” form through CDS Clearing and Depository Services Inc. (“CDS”) or its nominee, in denominations of \$1,000 and integral multiples thereof. See “Book-Entry Only System”.

Payments

The Corporation will make payments in respect of principal, premium, if any, and interest on Debentures to CDS or its nominee. See “Book-Entry Only System — Payment of Interest and Other Amounts”.

Ranking

The Debentures will be direct, senior unsecured unsubordinated obligations of Fortis and payment of the principal of and interest on and other amounts owing in respect of the Debentures will rank *pari passu* with all other present and future unsecured and unsubordinated senior Indebtedness (as defined below) of Fortis and shall have priority over all present and future Subordinated Debt (as defined below) of Fortis.

Redemption

The Debentures will be redeemable, at the Corporation’s option, in whole at any time or in part from time to time before maturity, on not less than 30 days’ and not more than 60 days’ prior notice, at a redemption price equal to the greater of the principal amount of the Debentures to be redeemed and the Canada Yield Price of the principal amount thereof to be redeemed, together, in each case, with accrued but unpaid interest to but excluding the redemption date. “Canada Yield Price” means the price, in respect of the principal amount of the Debentures to be redeemed, calculated as of the business day immediately prior to the business day on which the Corporation gives notice of a redemption of Debentures, equal to the net present value of all scheduled payments of interest and principal on the Debentures from the date of redemption to the date of maturity, using as a discount rate the sum of the Canada Yield on such business day plus 0.65%. “Canada Yield” means, on any date, the yield to maturity on such date as determined by the arithmetic average (rounded to three decimal places) of the yields quoted at 10:00 a.m. (Toronto time) by two major Canadian investment dealers selected by the Corporation in accordance with the Indenture, assuming semi-annual compounding and calculated

in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to maturity of the particular series of debentures in respect of which the Canada Yield Price is being determined.

Where less than all of the outstanding Debentures are to be redeemed, the Debentures to be redeemed will be selected on a *pro rata* basis by the Trustee to the nearest \$1,000 principal amount of Debentures registered in the name of each holder; provided that in no case shall a Debenture be redeemed in part unless the remaining principal amount is at least \$1,000.

Repurchase of Debentures Upon Change of Control Event

The Indenture will provide that, upon a Change of Control Event, the Corporation will be required to offer to repurchase from each holder of Debentures all or any portion of such holder's Debentures. This repurchase requirement will also apply to any additional debentures issued under the Indenture and indentures supplemental thereto ("Additional Debentures").

Within five days of a Change of Control, the Corporation shall give to each holder of Debentures written notice containing a description, in reasonable detail, of the Change of Control. Within five days of a Change of Control Event, the Corporation shall give to each holder of Debentures written notice thereof containing and constituting an offer to repurchase Debentures as described in the Indenture, accompanied by the certificate described below.

Any such offer shall be an offer to repurchase all or any portion of the Debentures held by each holder on the proposed repurchase date to be specified in such offer that is not less than 30 days and not more than 60 days after the date of such offer (if the proposed repurchase date is not specified in such offer, the proposed repurchase date shall be the first business day which is at least 45 days after the date of such offer).

Any such repurchase of Debentures shall be at 100% of the principal amount of such Debentures, together with interest on such Debentures accrued to the date of repurchase. The repurchase shall be made on the proposed repurchase date.

Each such offer to repurchase Debentures shall be accompanied by a certificate, executed by the Chief Financial Officer of the Corporation and dated the date of such offer, specifying: (i) the proposed repurchase date; (ii) that such offer is made pursuant to the Indenture; (iii) that the Corporation is offering to repurchase all or any portion of the Debentures held by the holder thereof for a price equal to 100% of the principal amount of the Debentures repurchased together with interest on such Debentures accrued to the date of repurchase; (iv) the interest that would be due on each Debenture offered to be repurchased, accrued to the proposed repurchase date; (v) that the conditions required under the Indenture have been fulfilled; and (vi) in reasonable detail, the nature and date of the Change of Control.

Purchase of Debentures for Cancellation

The Corporation shall have the right to purchase Debentures in the market, by tender or private contract, from time to time. Any Debentures purchased by the Corporation shall be cancelled and no Debenture shall be issued in substitution therefor.

Certain Covenants of the Corporation

The Indenture will contain, among other things, covenants and provisions applicable so long as any of the Debentures are outstanding, substantially to the following effect:

Negative Pledge

The Corporation shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens (as that term is defined in the Indenture)), on any property or asset now owned or hereafter acquired, or any income or profits therefrom, or assign or convey any right to receive income therefrom to secure any Indebtedness, unless (i) if such Lien secures Indebtedness which ranks in priority to or *pari passu* with the Debentures, the Debentures and any Additional Debentures are secured on an equal and rateable basis with the obligations so secured until such time as such Indebtedness is no longer secured by a Lien, or (ii) if such Lien secures Subordinated Debt, any such Lien shall be subordinated to a Lien granted to the holders of the Debentures and any Additional Debentures to the same extent as such Subordinated Debt is subordinated to the Debentures. "Permitted Liens" include, but are not limited to (i) Liens or privileges for taxes, rates, assessments or governmental charges, (ii) purchase money security interests, and (iii) any other Liens (which do not

otherwise constitute a Permitted Lien) which secure Indebtedness or other obligations, provided that the aggregate Indebtedness or other obligations secured by such other Liens do not exceed \$30 million at any time.

Limitations on Additional Indebtedness

The Corporation shall not, and shall take all necessary corporate action to ensure that no Material Subsidiary will, directly or indirectly, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Funded Obligation, unless (i) the aggregate principal amount of the Consolidated Funded Obligations after giving effect thereto does not exceed 75% of its Total Consolidated Capitalization, calculated on a *pro forma* basis, and (ii) no default or Event of Default (as defined herein) shall have occurred and be continuing under the Indenture at the time of, or will occur as a consequence of, such Funded Obligation having been incurred, issued, assumed, guaranteed or otherwise becoming a liability of the Corporation or any Material Subsidiary.

Limitations on Successor Corporations

The Corporation shall not enter into any transaction, or series of transactions, in which all or substantially all of its property and assets would become the property of any other person, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless (i) either the Corporation is the surviving entity, or the entity formed by the amalgamation, consolidation or into which the Corporation is merged, or that acquires all or substantially all of the property and assets of the Corporation is organized under the laws of Canada or any of its provinces or territories and expressly assumes all the obligations of the Corporation under the Indenture and any supplemental indentures, and (ii) no default or Event of Default is continuing or will occur as a result of such transaction or series of transactions.

Limitations on Related Party Transactions

The Corporation shall not engage in any transaction with any affiliate on terms that are less favourable to the Corporation than with an unrelated third party.

Limitations on Intercompany Loans and Guarantees

The Corporation shall take all necessary corporate action to ensure that no Material Subsidiary provides loans, guarantees or other forms of financial assistance to another person (other than (i) a subsidiary of such Material Subsidiary, (ii) another Material Subsidiary or (iii) the Corporation) in which the Corporation has a direct or indirect ownership interest (other than a nominal interest or investments made in the normal cash management process); provided, however, that this restriction shall not limit the ability of a Material Subsidiary (A) to provide such financial assistance where such action is in the normal course of such Material Subsidiary's business including, without limitation, the purchase of commercial paper issued by a subsidiary, and (B) to provide such financial assistance provided that the aggregate of all financial assistance given by the Material Subsidiaries shall not exceed at any time 10% of the Consolidated Net Worth.

Limitations on Certain Payments

The Corporation shall not declare or pay any dividend (other than stock dividends or cumulative preferred dividends on preferred shares not issued as stock dividends) or make any other distribution on its shares or redeem, reduce, purchase or otherwise retire or pay off any of its shares or prepay Subordinated Debt if, immediately thereafter, its Consolidated Funded Obligations would be in excess of 75% of its Total Consolidated Capitalization.

Events of Default

Upon the occurrence of an Event of Default that is continuing, the Trustee may, in its discretion and shall, upon receipt of a written request signed by the holders of not less than 25% of the total principal amount of the Debentures and any Additional Debentures then outstanding, declare the Debentures and any Additional Debentures to be immediately due and payable. The occurrence of any one or more of the following shall constitute an "Event of Default" under the Indenture:

- (a) if the Corporation shall default in the payment of any principal or premium, if any, on the Debentures or any Additional Debentures when the same becomes due and payable, including, for greater certainty, a default in payment relating to a redemption of all or part of the Debentures, and such default continues for five business days;
- (b) if the Corporation shall default in the payment of any interest on the Debentures or any Additional Debentures when the same becomes due and payable under any provision of the Indenture, any supplemental indenture, the Debentures or any Additional Debentures and such default continues for a period of 30 days;

- (c) if the Corporation shall fail to comply with its covenant described in “Details of the Offering — Limitations on Successor Corporations”;
- (d) if the Corporation shall neglect to observe or perform in any material respect any other covenant or condition contained in the Indenture, any supplemental indenture, the Debentures or any Additional Debentures after notice in writing has been given by the Trustee to the Corporation (which notice the Trustee may, in its discretion, independently provide and shall provide upon receipt of a request in writing signed by the holders of not less than 25% of the total principal amount of the Debentures and any Additional Debentures then outstanding) specifying such default and requiring the Corporation to remedy such default, the Corporation shall fail to remedy such default within a period of 60 days unless the Trustee, having regard to the subject matter of the default, shall have agreed to give the Corporation a longer period of time within which to cure such default, and in such event, within the period agreed to by the Trustee;
- (e) if any representation or warranty made by the Corporation in the Indenture, any supplemental indenture, the Debentures or any Additional Debentures is proven to be incorrect in any material respect, unless such incorrect representation or warranty is capable of being corrected and the Corporation cures such default within a period of 60 days following written notice from the Trustee (which notice the Trustee may, in its discretion, independently provide and shall provide upon receipt of a request in writing signed by the holders of not less than 25% of the total principal amount of the Debentures and any Additional Debentures then outstanding) specifying the incorrect representation and warranty, unless the Trustee, having regard to the subject matter of the breach, shall have agreed to give the Corporation a longer period of time within which to cure such default, and in such event, within the period agreed to by the Trustee;
- (f) if at any time a default is made by the Corporation or any Material Subsidiary with respect to any Indebtedness (excluding amounts due to the holders of the Debentures or any Additional Debentures), where the aggregate principal amount of such Indebtedness exceeds an amount equal to the greater of 5% of the Consolidated Net Worth at such time and \$75,000,000, and (i) if the default is a payment default, such default continues to exist for a period exceeding 30 days; provided that if the payment obligation to which the default relates is accelerated, then the default will constitute an Event of Default immediately following such acceleration, and (ii) if the default is not a payment default, then as a result of the default and the passing of any applicable cure period, the maturity of the obligation is accelerated; provided that, in each case, if the default is cured prior to acceleration of the Debentures and any Additional Debentures, then the Event of Default will be deemed to have been cured;
- (g) if a resolution is passed for the winding-up or liquidation of the Corporation, unless such winding-up or liquidation is permitted pursuant to the terms of the Indenture, or if the Corporation seeks relief under the *Companies’ Creditors Arrangement Act* (Canada), the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, or if the Corporation institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it or any substantial part of the property of the Corporation, or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the foregoing purposes;
- (h) if a proceeding is instituted against the Corporation with respect to the appointment of a liquidator, trustee in bankruptcy, custodian, receiver or receiver and manager or other person with similar powers with respect to the Corporation or any material part of the property of the Corporation and such proceeding has not been dismissed, discharged, stayed or restrained within 60 days of the institution thereof, provided that during such 60-day period, the proceeding is being defended in good faith by the Corporation and the position of the holders of the Debentures or any Additional Debentures is not being prejudiced in any material respect; or
- (i) if an encumbrancer takes possession of property of the Corporation or a Material Subsidiary that constitutes a substantial part of the property of the Corporation considered on a consolidated basis, or any execution is levied or enforced upon property that constitutes a substantial part of the property of the Corporation considered on a consolidated basis, which execution remains unsatisfied for such period of time as would permit such property to be sold thereunder unless such execution is in good faith being contested by the Corporation or such Material Subsidiary and enforcement and any other action or proceeding relating to such execution has been stayed pending the outcome of such contest.

Modification and Waiver

The Indenture will require the prior written consent of the holders of 100% of the outstanding principal amount of the Debentures to amend the terms of the Debentures which affect the interest rate, the timing, currency, amount or other terms relating to the payment of interest, principal, premium or the applicable redemption price or the terms of repayment, redemption or maturity of the Debentures. The Indenture requires the consent of the holders of at least 66⅔% of the outstanding principal amount of the Debentures and any Additional Debentures represented at a meeting of the holders of the Debentures and any Additional Debentures at which quorum is present to amend or waive other terms and conditions of the Debentures or any Additional Debentures, including a waiver of any default and a cancellation of any declaration to make all amounts outstanding to be immediately due and payable.

Regarding the Trustee

Computershare Trust Company of Canada will serve as the trustee, registrar and paying agent under the Indenture.

Governing Law

The Debentures and the Indenture will be governed by and interpreted in accordance with the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein.

Definitions

Set forth below is a summary of certain defined terms used in the Indenture which have not been defined herein.

- (a) “Change of Control” means any of the following events or circumstances:
 - (i) individuals who, at the beginning of any period of 12 consecutive calendar months, constitute the Corporation’s board of directors (together with any new director whose election by the Corporation’s board of directors or whose nomination for election by the Corporation’s shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason (other than death or disability) to constitute a majority of the Corporation’s board of directors then in office; or
 - (ii) if any person (as such term is defined in section 1(1) of the *Securities Act* (Ontario) as in effect on the date of the Indenture) or group of persons acting jointly or in concert (as such phrase is used in Part XX of the *Securities Act* (Ontario) as in effect as of the date of the Indenture), become the “beneficial owners” (as such term is used in section 1.6(1) of Multilateral Instrument 61-101 as in effect on the date of the Indenture), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of the Corporation’s voting shares.
- (b) “Change of Control Event” means, and shall be deemed to have occurred if, at any time after the date of the Indenture, (a) a Change of Control shall have occurred and (b) the Corporation shall have failed to furnish to each holder of Debentures and any Additional Debentures written evidence of a rating in respect of the Debentures and any Additional Debentures of at least Investment Grade assigned by one or more Rating Agencies (as defined herein) during the 90 day period beginning from and after the effective date of the Change of Control (and after giving effect thereto). For purposes of the foregoing, if the Corporation shall have ratings from more than one Rating Agency, then (x) in the case where there are two Rating Agencies, a rating of Investment Grade in respect of the Debentures or any Additional Debentures shall be deemed to have occurred only if both Rating Agencies shall have assigned a rating to the Debentures and any Additional Debentures of at least Investment Grade and (y) in the case where there are three or more Rating Agencies, a rating of Investment Grade in respect of the Debentures or any Additional Debentures shall be deemed to have occurred only if at least a majority of the Rating Agencies shall have assigned a rating to the Debentures and any Additional Debentures of at least Investment Grade.
- (c) “Consolidated Funded Obligations” means, as at any date, the aggregate amount of Funded Obligations of the Corporation and its subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles.
- (d) “Consolidated Net Worth” means the Shareholders’ Equity of the Corporation and its subsidiaries determined on a consolidated basis in accordance with Canadian generally accepted accounting principles.
- (e) “Funded Obligations” means, as at any date, with respect to the Corporation or a subsidiary, all Indebtedness created, assumed or guaranteed, other than Subordinated Debt and all Indebtedness which matures by its terms

on, or is renewable at the option of the debtor to, a date not more than 18 months after the date of the original creation, assumption or guarantee thereof.

- (f) “Indebtedness” means all items of indebtedness in respect of any borrowed money (including (i) obligations with respect to bankers’ acceptances, (ii) contingent reimbursement obligations relating to letters of credit and other financial instruments, (iii) preferred shares or other securities ranking in priority to common shares (except if issued directly by the Corporation), (iv) indebtedness subordinated to senior indebtedness (except Subordinated Debt issued directly by the Corporation) and (v) deposits, investment certificates and other similar liability instruments (in each case other than trade accounts) and all Purchase Money Obligations which, in accordance with Canadian generally accepted accounting principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined (provided that preferred shares or other securities referred to in item (iii) above shall constitute Indebtedness regardless of their treatment under Canadian generally accepted accounting principles), and in any event including, without duplication:
- (i) obligations secured by any Lien existing on property owned subject to such Lien, whether or not the obligations secured thereby shall have been assumed; and
 - (ii) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness for borrowed money of that other person in respect of any amounts borrowed by them.
- (g) “Investment Grade” means a written rating by any of S&P, DBRS or any other internationally recognized statistical rating agency (each referred to herein as a “Rating Agency” and collectively as “Rating Agencies”) with respect to the Debentures or any Additional Debentures of at least “BBB–” in the case of S&P, of at least “BBB (low)” in the case of DBRS and of at least the lowest investment grade rating level assigned by any other Rating Agency.
- (h) “Lien” means, with respect to any property or assets, any security interest, mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge, assignment, adverse claim, defect of title in, on or of such property or assets, the interest of a vendor or a lessor under any conditional sales contract, hire-purchase agreements, chattel mortgage, title retention agreement or capital lease (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such property or assets and any other arrangement having the effect of providing security.
- (i) “Material Subsidiary” means each subsidiary of the Corporation for which (i) the Corporation’s share of such subsidiary’s Shareholders’ Equity therein exceeds 10% of the Shareholders’ Equity of the Corporation or (ii) the amount of the Corporation’s share of total assets therein exceeds 10% of the total assets of the Corporation.
- (j) “Purchase Money Obligation” means any monetary obligation created or assumed as part of the purchase price of real or tangible personal property, whether or not secured, and any extensions, renewals or refundings of any such obligation, provided that the principal amount of such obligation outstanding on the date of such extensions, renewal or refunding is not increased and further provided that any security given in respect of such obligation shall not extend to any property other than the property acquired in connection with which such obligation was created or assumed and improvements, if any, erected or constructed thereon.
- (k) “Shareholders’ Equity” means (i) in respect of a corporation, the aggregate amount of shareholders’ equity (including common share capital, preferred share capital if issued directly by the corporation, contributed surplus and retained earnings) as shown on the most recent quarterly or annual balance sheet of such corporation calculated in accordance with Canadian generally accepted accounting principles and (ii) in respect of any entity other than a corporation (including a partnership), the aggregate amount of equity (including partnership equity) as shown on the most recent quarterly or annual balance sheet of such entity calculated in accordance with Canadian generally accepted accounting principles.
- (l) “Subordinated Debt” means Indebtedness which (i) is subordinated in all rights to senior Indebtedness, (ii) has no contractual rights of acceleration until at least 180 days following a default or an Event of Default while any senior Indebtedness remains outstanding, (iii) does not permit any prepayments or any payments to be made in respect thereof at any time when monies are due and payable with respect to senior Indebtedness and (iv) in the event of any insolvency, bankruptcy, receivership, liquidation, arrangement, reorganization or other similar proceeding, is paid only after all senior Indebtedness has been paid in full.

- (m) “Total Consolidated Capitalization” means, as at any date, with respect to the Corporation, without duplication, the sum of:
- (i) Consolidated Net Worth;
 - (ii) the principal amount of all Consolidated Funded Obligations;
 - (iii) the principal amount of all Subordinated Debt;
 - (iv) the accumulated provision for deferred income taxes as shown on the most recent quarterly or annual balance sheet of the Corporation in accordance with Canadian generally accepted accounting principles; and
 - (v) the amount of any minority interest as shown on the most recent quarterly or annual balance sheet of the Corporation in accordance with Canadian generally accepted accounting principles.

BOOK-ENTRY ONLY SYSTEM

Except as otherwise provided below, the Debentures will be issued in a “book-entry only” form and must be purchased or transferred through participants (“Participants”) in the depository service of 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 Debentures (the “Global Debenture”) to be delivered to, and registered in the name of, CDS or a nominee thereof. Except as otherwise provided below, no purchaser of Debentures 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 Debentures will receive a customer confirmation of purchase from the registered dealer from which the Debentures 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 Debentures. Physical certificates evidencing the Debentures will not be issued to purchasers, except in limited circumstances, and registration will be made through the depository service of CDS.

Neither the Corporation nor the Agents (as defined herein) will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and 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 Debentures must look solely to Participants for payments made by or on behalf of the Corporation to CDS in respect of the Debentures.

If: (i) CDS notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the Global Debenture and the Corporation is unable to locate a qualified successor; (ii) the Corporation determines that CDS is no longer willing, able or qualified to discharge properly its responsibilities as holder of the Global Debenture and the Corporation is unable to locate a qualified successor; (iii) the Corporation executes and delivers to the Trustee a written order to the effect that all or a part of such Global Debenture shall be so exchanged; (iv) CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor; (v) the Corporation determines that the Debentures shall no longer be held as book-entry only debentures through CDS; (vi) if, after the occurrence of an Event of Default, CDS advises the Trustee that it has received written notification from Participants, acting on behalf of beneficial holders representing, in the aggregate, more than 50% of the aggregate principal amount of outstanding Debentures that the continuance of CDS’s book-entry registration system in respect of the Debentures is no longer in their best interest; or (vii) such right is required by applicable law as determined by the Corporation, then certificates representing the Debentures in fully registered form shall be issued to the beneficial holders of interests in such Global Debenture or their nominees.

Manner of Effecting Transfer

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

Payment of Interest and Other Amounts

Payment of principal, interest and premium, if any, on the Debentures will be made by the Corporation to CDS or its nominee, as the case may be, as registered holder of the Debentures. As long as CDS or its nominee is the registered owner of the Debentures, CDS or its nominee, as the case may be, will be considered the sole owner of the Debentures for the purposes of receiving payments on the Debentures.

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

USE OF PROCEEDS

If the full aggregate amount of the Debentures being offered hereby is sold, the net proceeds of the Offering will be approximately \$198 million, determined after deducting the Agents' Fee (as defined herein) and the expenses of the Offering, which expenses are estimated to be \$575,000. A portion of the net proceeds of the Offering will be used to repay in full the outstanding indebtedness of approximately \$110 million under the Corporation's \$600 million committed credit facility and the balance of the net proceeds will be used for general corporate purposes. Indebtedness under the Corporation's credit facility was incurred for general corporate purposes and to fund equity injections into the Corporation's utilities in support of their capital expenditure programs.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Agency Agreement") dated June 25, 2009 between the Corporation and BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc., as agents (collectively, the "Agents"), the Agents have agreed to use their reasonable best efforts to obtain purchasers to purchase on July 2, 2009 (the "Closing Date"), or on such other date not later than July 15, 2009 as may be agreed upon by the Corporation and the Agents, subject to the terms and conditions contained therein, up to \$200,000,000 principal amount of Debentures for total consideration of up to \$199,868,000 plus accrued interest, if any, from July 2, 2009 to the date of delivery, payable in cash to the Corporation against delivery of the Debentures. The Agency Agreement provides that the Agents will be paid an agency fee (the "Agents' Fee") per \$1,000 principal amount of Debentures equal to \$5.00 on account of services rendered. While the Agents have agreed to use their best efforts to sell the Debentures offered hereby, they are not obligated to purchase any Debentures which are not sold.

Assuming the sale of the principal amount of \$200,000,000 Debentures, the total price to the public will be \$199,868,000, the Agents' Fee will be \$1,000,000 and the net proceeds to Fortis will be \$198,293,000, after deducting the expenses of the Offering estimated at \$575,000 which, together with the Agents' Fee, will be paid out of the general funds of the Corporation.

Subscriptions for the Debentures 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 (the "Closing") will take place on the Closing Date or such other date as may be agreed upon by the Corporation and the Agents, but not later than July 15, 2009.

The Agents may not, throughout the period of distribution under this Prospectus, bid for or purchase the Debentures. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution.

The Debentures 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, subject to certain exceptions, may not be offered, or delivered, directly or indirectly, or sold in the United States except in certain transactions exempt from the registration requirements of the 1933

Act and in compliance with any applicable state securities laws. The Agents have agreed that they will not offer or sell the Debentures within the United States, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a “U.S. person” (as defined in Regulation S under the 1933 Act), except in accordance with the Agency Agreement pursuant to an 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 Debentures 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 reliance on Rule 144A.

The obligations of the Agents under the Agency Agreement are several and not joint and several and may be terminated at their discretion in certain circumstances, including upon the occurrence of certain stated events. Under the terms of the Agency Agreement, the Agents may be entitled to indemnification by the Corporation against certain liabilities, including liabilities for misrepresentation in the Prospectus.

Each of the Agents is a subsidiary of a Canadian chartered bank that has, either solely, together with its affiliates, or as a member of a syndicate of financial institutions, extended credit facilities to, or holds indebtedness of, the Corporation and/or its subsidiaries (the “Existing Facilities”). A portion of the net proceeds from the Offering will be used to repay in full the outstanding indebtedness under the credit facility owing by the Corporation to such banks. Consequently, the Corporation may be considered a “connected issuer” of these Agents within the meaning of applicable securities legislation. None of these Agents will receive any direct benefit from the Offering other than the Agents’ Fee relating to the Offering. The decision to distribute the Debentures hereunder and the determination of the terms of the Offering were made through negotiation between the Corporation and the Agents. No bank had any involvement in such decision or determination. As at June 25, 2009, an aggregate of approximately \$561 million was outstanding under the Existing Facilities. Approximately \$92 million of the Existing Facilities owing by subsidiaries of Fortis is secured by mortgages on real property owned by such subsidiaries. Fortis and/or its subsidiaries are in compliance with their respective obligations under the Existing Facilities. Since the execution of the Existing Facilities, no breach thereunder has been waived by the lenders thereunder. See “Use of Proceeds”.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to Fortis, and Stikeman Elliott LLP, counsel to the Agents, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a holder of Debentures (a “Holder”) who acquires Debentures pursuant to this Offering and who, at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada, holds Debentures as capital property and deals at arm’s length with, and is not affiliated with, Fortis. Generally, a Debenture will be considered to be capital property to a Holder provided that the Holder does not hold the Debenture in the course of carrying on a business and has not acquired the Debenture in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders whose Debentures might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not address the Canadian federal income tax considerations applicable to a Holder that is a “financial institution” for the purposes of the “mark-to-market” rules; a Holder in interest in which is a “tax shelter investment”; or a Holder that has elected to determine its Canadian tax results in accordance with the “functional currency” rules, as each such term is defined in the Tax Act. Holders to whom these rules may be relevant should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “Regulations”) and counsel’s understanding of the current published administrative practices of the Canada Revenue Agency. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Debentures, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Taxation of Interest on Debentures

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year all interest on a Debenture that accrues to the Holder to the end of that taxation year or becomes receivable or is received by the Holder before the end of that taxation year, except to the extent that such amount was included in its income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in income for a taxation year any interest on a Debenture received or receivable by such Holder in that year (depending upon the method regularly followed by the Holder in computing income), to the extent that such amount was not otherwise included in the Holder's income for that or any preceding taxation year.

Where a Holder is required to include in income interest on a Debenture that accrued before such Debenture was acquired by the Holder, the Holder will be entitled to a deduction in computing income of an equivalent amount. The adjusted cost base to the Holder of the Debenture will be reduced by the amount which is so deductible.

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

Disposition of Debentures

On a disposition or deemed disposition of a Debenture, including a redemption or a purchase for cancellation, a Holder will generally be required to include in income any premium deemed to be interest and the amount of interest accrued on the Debenture from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a previous taxation year.

In general, a disposition or deemed disposition of a Debenture will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest or any amount deemed to be interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Debenture to the Holder immediately before the disposition. The cost of a Debenture to a Holder thereof will generally be the amount paid for the Debenture.

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year generally must be included in the Holder's income in that year and one-half of the amount of any capital loss (an "allowable capital loss") realized by a Holder in a taxation year generally may be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. A capital gain realized by an individual (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

Additional Refundable Tax

A Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6-2/3% on certain investment income, including amounts in respect of interest and taxable capital gains earned or realized in respect of a Debenture.

RISK FACTORS

Risk Factors Relating to the Corporation

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

- (a) the heading "Risk Factors" found on pages 38 to 50 of the Corporation's Annual Information Form dated March 13, 2009;
- (b) the heading "Business Risk Management" in the Management Discussion and Analysis of financial condition and results of operations found on pages 55 to 65 of the Corporation's 2008 Annual Report (the "MD&A");

- (c) note 26 “Financial Risk Management” found on pages 122 to 125 in the Corporation’s audited comparative consolidated financial statements as at December 31, 2008 and for the years ended December 31, 2008 and 2007, as contained in the Corporation’s 2008 Annual Report; and
- (d) note 19 “Financial Risk Management” found on pages 21 to 24 in the Corporation’s unaudited comparative interim consolidated financial statements as at March 31, 2009 and for the three months ended March 31, 2009 and 2008,

each of which is incorporated by reference herein. In addition, a prospective purchaser of Debentures should carefully consider the risk factors described in this section which relate to the Debentures, as well as the other information contained in this Prospectus (including the documents incorporated by reference herein).

Risk Factors Relating to the Debentures

The value of the Debentures will be affected by the general creditworthiness of the Corporation. The 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 of the Debentures, if any, may affect the market value of such securities. 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.

Reference is made to “Earnings Coverage Ratio” in this Prospectus, which is relevant to an assessment of the risk that the Corporation will be unable to pay interest on the Debentures.

The Debentures rank *pari passu* with all other present and future senior unsecured and unsubordinated indebtedness of the Corporation in the event of an insolvency or winding-up of the Corporation.

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures 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 Debentures in an analogous manner.

The Debentures are not redeemable at the option of their Holders. The ability of a Holder to liquidate its holdings of Debentures may be limited.

There can be no assurance that an active trading market will develop for the Debentures after the Offering, or if developed, that such market will be sustained at the price at which the Debentures are initially offered.

AUDITORS

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, The Fortis Building, 7th Floor, 139 Water Street, St. John’s, Newfoundland and Labrador A1C 1B2.

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 Agents by Stikeman Elliott LLP, Toronto. At the date hereof, partners and associates of each of Davies Ward Phillips & Vineberg LLP, McInnes Cooper and Stikeman Elliott LLP own beneficially, directly or indirectly, less than 1% of any securities of the Corporation or any associate or affiliate of the Corporation.

TRUSTEE AND PAYING AGENT

Computershare Trust Company of Canada at its offices in Toronto and Montreal, is the Trustee under the Indenture. Registers for the registration and transfer of the Debentures will be kept at the offices of the Trustee in Toronto and Montreal. The Trustee is also the paying agent for the Debentures.

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 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.

AUDITORS' CONSENT

We have read the short form prospectus (the "Prospectus") of Fortis Inc. (the "Corporation") dated June 29, 2009 relating to the issue and sale of up to \$200,000,000 principal amount of 6.51% senior unsecured debentures of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference, in the above-mentioned Prospectus, of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and 2007 and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the years then ended. Our report is dated January 30, 2009.

St. John's, Canada
June 29, 2009

(Signed) ERNST & YOUNG LLP
Chartered Accountants

CERTIFICATE OF FORTIS INC.

Dated: June 29, 2009

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

(Signed) H. STANLEY MARSHALL
President and
Chief Executive Officer

(Signed) BARRY V. PERRY
Vice President, Finance and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) GEOFFREY F. HYLAND
Director

(Signed) DAVID G. NORRIS
Director

CERTIFICATE OF THE AGENTS

Dated: June 29, 2009

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

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

(Signed) P. GRANT WILLIAMS

(Signed) DAVID WILLIAMS

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

(Signed) ROBERT M. BROWN

(Signed) D. GREGORY LAWRENCE

(Signed) HAROLD R. HOLLOWAY

HSBC SECURITIES (CANADA) INC.

NATIONAL BANK FINANCIAL INC.

(Signed) NICOLE CATY

(Signed) PAUL PRENDERGAST

FORTIS