

4 May 2012 Annual Meeting



**Notice to Shareholders
and
Management Information Circular**

19 March 2012

FORTIS^{INC.}

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of FORTIS INC. ("Fortis") will be held in Salon A, Delta St. John's Hotel and Conference Centre, 120 New Gower Street, St. John's, Newfoundland and Labrador on Friday, 4 May 2012, at the hour of 10:30 a.m. (Newfoundland Daylight Time) for the following purposes:

1. to receive the Consolidated Financial Statements of Fortis for its financial year ended 31 December 2011, together with the Report of the Auditors thereon;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix the auditors' remuneration;
4. to consider and, if supported, pass a resolution approving the Amended and Restated By-Law of Fortis;
5. to consider and, if supported, pass a resolution adopting the 2012 Stock Option Plan;
6. to consider and, if supported, pass a resolution adopting the 2012 Employee Share Purchase Plan;
7. to consider and, if supported, pass an advisory resolution on the approach to executive compensation of Fortis; and
8. to transact such other business as may properly be brought before the meeting or any adjournment(s) or postponement(s) thereof.

DATED at St. John's, Newfoundland and Labrador, 19 March 2012.

By Order of the Board

A handwritten signature in blue ink, appearing to read "R.W. McCabe", with a horizontal line underneath.

Ronald W. McCabe
Vice President, General Counsel
and Corporate Secretary

NOTES

1. Shareholders who are unable to be present in person at the meeting are requested to sign and return the accompanying form of proxy in the envelope provided for that purpose.
2. Only holders of Common Shares of record at the close of business on 19 March 2012 will be entitled to vote at the meeting, except to the extent that a holder of record has transferred any of such shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the meeting that the transferee's name be included in the list of shareholders eligible to vote at the meeting, in which case such shareholder shall be entitled to vote such Common Shares at the meeting.
3. A shareholder desiring to appoint another representative (who need not be a shareholder of Fortis) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, ON, M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 2 May 2012, or with the Chair of the meeting on the day of the meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.



MANAGEMENT INFORMATION CIRCULAR

PROXY SOLICITATION

This Management Information Circular (“Circular”) is furnished in connection with the solicitation of proxies by the Management of FORTIS INC. (“Fortis” or “Corporation”) for use at the Annual Meeting (“Meeting”) of the holders (“Shareholders”) of the common shares (“Common Shares”) of Fortis to be held in Salon A, Delta St. John’s Hotel and Conference Centre, 120 New Gower Street, St. John’s, Newfoundland and Labrador on Friday, 4 May 2012, at the hour of 10:30 a.m. (Newfoundland Daylight Time), and at any adjournment(s) or postponement(s) thereof, for the purposes set out in the foregoing notice of meeting.

This solicitation is made by the Management of Fortis. It is expected that the solicitation will primarily be by mail but proxies may also be solicited personally, by telephone, e-mail, Internet or facsimile by directors, officers and employees of Fortis, or by such agents as Fortis may appoint. Fortis has retained Kingsdale Shareholder Services Inc. in connection with the solicitation of proxies at a cost of \$37,000 and reimbursement of disbursements related to the solicitation. The cost of solicitation will be borne by Fortis.

The directors have set 19 March 2012 as the record date for the Meeting. Unless otherwise stated, information in this Circular is given as of 19 March 2012.

REVOCABILITY OF PROXIES

Proxies given by Shareholders for use at the Meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer thereof duly authorized. Where shares are held in joint or common ownership of any kind, the signature of each owner is required on the form of revocation. **A form of revocation must be deposited either at the registered office of Fortis or the principal office of the transfer agent at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 2 May 2012 at one of the following addresses:**

Corporation

*Fortis Inc.
The Fortis Building, Suite 1201
139 Water Street
St. John’s, NL
A1B 3T2*

Transfer Agent

*Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, ON
M5J 2Y1*

If not deliverable to one of the physical locations noted above, a form of revocation may be deposited by toll-free facsimile transmission to 1-866-249-7775 at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 2 May 2012, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of Fortis and have consented to act as proxy for the shareholders who so appoint them. **A shareholder desiring to appoint another representative (who need not be a Shareholder of Fortis) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of Fortis or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, ON M5J 2Y1 or by toll-free facsimile transmission to 1-866-249-7775 within Canada and the United States (416-263-9524 outside Canada and the United States) at any time not later than 10:30 a.m. (Newfoundland Daylight Time) on 2 May 2012, or with the Chair of the Meeting on the day of the Meeting or not less than 48 hours prior to any adjournment(s) or postponement(s) thereof.**

The form of proxy affords the Shareholder an opportunity to specify that the shares registered in the Shareholder's name will be voted, or withheld from voting, in respect of the election of directors; the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors; approving the Amended and Restated By-Law of Fortis; adopting the 2012 Stock Option Plan; adopting the 2012 Employee Share Purchase Plan; and approving an advisory resolution on the approach to executive compensation of Fortis.

On any ballot that may be called for, the shares represented by proxies in favour of Management nominees will be voted or withheld from voting in accordance with the specifications made by each Shareholder.

If a proxy does not specify how a proxy nominee is to vote in respect of the matters set forth in the proxy, the shares represented by proxies in favour of Management nominees will be voted FOR the election of the directors listed hereafter, the appointment of auditors named herein and the authorization of the directors to fix the remuneration of the auditors; approving the Amended and Restated By-Law of Fortis; adopting the 2012 Stock Option Plan; adopting the 2012 Employee Share Purchase Plan; and approving an advisory resolution on the approach to executive compensation of Fortis.

The form of proxy confers discretionary authority on the proxy nominee with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. At the time of printing this Circular, Management does not know of any matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any such amendment, variation or matter should properly come before the Meeting, the shares represented by proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of Fortis consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares and an unlimited number of Second Preference Shares, in each case, issuable in series, without nominal or par value. As of 19 March 2012, the following Common Shares and Preference Shares were issued and outstanding:

Capital	Issued and Outstanding	Votes per Share
Common Shares	189,261,358	1
First Preference Shares, Series C	5,000,000	0
First Preference Shares, Series E	7,993,500	0
First Preference Shares, Series F	5,000,000	0
First Preference Shares, Series G	9,200,000	0
First Preference Shares, Series H	10,000,000	0

Only holders of Common Shares of record at the close of business on 19 March 2012 will be entitled to vote at the Meeting, except to the extent that a holder of record has transferred shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote at the Meeting.

To the knowledge of the directors and officers of Fortis, no Shareholder beneficially owns, controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

MATTERS FOR CONSIDERATION OF SHAREHOLDERS

FINANCIAL STATEMENTS

The Consolidated Financial Statements of Fortis for the year ended 31 December 2011 are on pages 78 through 133 of the 2011 Fortis Inc. Annual Report which is being mailed to all of the registered Shareholders and those beneficial Shareholders who have requested to receive the Annual Report. These documents are also available on the Fortis website at www.fortisinc.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

ELECTION OF DIRECTORS

The Articles of Fortis provide for a minimum of 3 and a maximum of 15 directors. All directors of Fortis are elected annually to serve until the next Annual Meeting of Shareholders or until their successors shall have been duly elected or appointed. The Board currently consists of 11 members. The Shareholders of Fortis will be asked to elect 11 directors for the ensuing year. The term of office of each current director of Fortis will expire immediately prior to the election of directors at the Meeting. Each person whose name follows is proposed to be elected as a director of Fortis to serve until the earlier of the next Annual Meeting of Shareholders or until his or her successor is elected or appointed.

Details pertaining to each of the nominees can be found on pages 25 through 32 of this Circular. All of the nominees listed below were duly elected as directors at the last Annual Meeting of Shareholders held on 6 May 2011. The 11 nominees proposed for election as directors are as follows:

Peter E. Case
Frank J. Crothers
Ida J. Goodreau
Douglas J. Haughey

H. Stanley Marshall
John S. McCallum
Harry McWatters
Ronald D. Munkley

David G. Norris
Michael A. Pavey
Roy P. Rideout

If any of the proposed nominees should for any reason be unable to serve as a director of Fortis, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion unless the Shareholder has specified in the proxy that the shares are to be withheld from voting in the election of directors.

If any nominee for director receives, from the Common Shares voted at the Meeting in person or by proxy, a greater number of votes “withheld” than “for” his or her election, such director must promptly tender his or her resignation to the Chair, such resignation to take effect on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director’s offer to resign and recommend to the Board whether to accept it. Within 90 days of the Meeting, the Board will make a final decision and announce it by way of media release. Any director who tenders his or her resignation will not participate in the deliberations of the Governance and Nominating Committee or the Board. This does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

Management and the Board recommend that Shareholders vote FOR these nominees. The persons named in the enclosed Proxy intend to vote FOR the election of each of these nominees unless the Shareholder specifies that authority to do so is withheld.

APPOINTMENT OF AUDITORS AND AUTHORIZATION OF THE DIRECTORS TO FIX THE AUDITORS’ REMUNERATION

The Board, on the recommendation of its Audit Committee, proposes to nominate Ernst & Young LLP as the auditors of Fortis to hold office until the close of the next Annual Meeting of Shareholders.

The directors negotiate with the auditors of Fortis on an arm’s length basis in determining the fees to be paid to the auditors. Such fees are based upon the complexity of the matters dealt with and the time expended by the auditors in providing services to Fortis. Management believes that the fees negotiated in the past with the auditors of Fortis have been reasonable in all circumstances and would be comparable to fees charged by other auditors providing similar services.

Fees incurred by Fortis for work performed by its auditors, Ernst & Young LLP, during each of the last two financial years for audit, audit-related and tax services were as follows:

Fortis Inc.		
External Auditor Service Fees		
(\$000's)		
Ernst & Young LLP	2011	2010
Audit Fees ^{(1) (2)}	2,518	2,535
Audit-Related Fees ⁽²⁾	1,146	775
Tax Fees	153	202
Non-Audit Services	145	-
Total	3,962	3,512

⁽¹⁾ Relate to financial statements prepared in accordance with Canadian GAAP.

⁽²⁾ The 2010 audit and audit-related fees have been reclassified to conform with the current year's presentation.

Audit-related fees increased year over year primarily due to work performed by Ernst & Young LLP in preparation for the Corporation's conversion to accounting principles generally accepted in the United States ("US GAAP"), effective 1 January 2012, including audits and reviews performed on the Corporation's 2011 annual and quarterly consolidated financial statements, respectively, with 2010 comparatives, prepared in accordance with US GAAP. Non-audit services related to work performed at Caribbean Utilities during 2011 associated with the Company's insurance claim related to a damaged generating unit. The non-audit fees were pre-approved by Caribbean Utilities' Audit Committee and do not impair the independence of Ernst & Young LLP.

Management and the Board recommend that Shareholders vote FOR the appointment of Ernst & Young LLP as the auditors of Fortis for 2012 and FOR the authorization of the Board to fix the remuneration of the auditors for 2012. The persons named in the enclosed Proxy intend to vote FOR the appointment and FOR the authorization of the Board to fix the remuneration of the auditors unless the Shareholder specifies that authority to do so is withheld.

AMENDMENT AND RESTATEMENT OF BY-LAW

Board Approval

The Board has adopted a new By-Law No. 1 of the Corporation in the form attached to this Circular as Schedule B (the “Amended and Restated By-Law”) on 13 March 2012. The *Corporations Act* (Newfoundland & Labrador) (the “Act”) requires that the Board submit the Amended and Restated By-Law for confirmation by Shareholders at the Meeting.

Rationale

During review of corporate policies and governance practices, Management determined that the general by-law of the Corporation, unchanged since its adoption as of 4 September 1987 (the “General By-Law”), should be updated to reflect current Canadian best practices for corporate governance and certain requirements of the Toronto Stock Exchange (the “TSX”). Management and the Board determined to amend and restate the General By-Law by incorporating certain provisions of the General By-Law and updating other provisions in accordance with current enhanced corporate governance standards and TSX requirements. In addition, certain provisions of the Amended and Restated By-Law have been drafted broadly to accommodate changes that may be made to the Act in the future to bring it in line with the corporate law statutes of other Canadian jurisdictions. The changes included in the Amended and Restated By-Law are described in more detail below under “Summary of Changes”.

Required Vote

The Act requires that any amendment made to the by-laws of a corporation by its board be submitted to the next meeting of shareholders for confirmation (with or without amendment) by an ordinary resolution of the majority of the shareholders. If the Amended and Restated By-Law is not approved by the majority of the Shareholders voting in person or by proxy at the Meeting, it will cease to be effective. *Management and the Board recommend that Shareholders vote **FOR** approval of the Amended and Restated By-Law, and unless otherwise instructed, the persons named in the enclosed Proxy intend to vote **FOR** approval of the Amended and Restated By-Law.*

Summary of Changes

Shareholders are urged to review the complete text of the proposed Amended and Restated By-Law attached hereto as Schedule B. The summary set forth below describes only the portions of the Amended and Restated By-Law determined by the Board to be most relevant to Shareholders and is qualified in its entirety by reference to the full text of the Amended and Restated By-Law.

Directors

The provisions of the General By-Law dealing with matters relating to the appointment of directors and the holding of directors’ meetings have been elaborated upon in the Amended and Restated By-Law as follows:

- **Number of Directors:** While the General By-Law is silent on the number of directors and matters relating to the appointment of directors, the Amended and Restated By-Law clarifies that the minimum and maximum number of directors of the Corporation is as set out in the articles of the Corporation (the “Articles”) (currently a minimum of 3 and maximum of 15 in accordance

with Article 4) and requires a minimum percentage of directors to be resident Canadians as mandated by the Act (currently 25%).

- **Term of Office:** Unless a director ceases to hold office, is removed from office or for some other reason becomes disqualified, a director's term of office shall be from the date of the meeting at which he or she was elected or appointed, to the close of the subsequent annual meeting of shareholders, or until such director's successor is elected or appointed. The Act provides that a director may serve for up to three years without standing for re-election, however, TSX policy discourages terms which extend beyond the next annual meeting of shareholders. Most Canadian corporate statutes other than the Act prohibit terms of service that do not terminate at the next annual meeting of shareholders. A director will be eligible for re-election so long as otherwise qualified pursuant to the Act and provided that he or she has not reached the mandatory retirement age or maximum number of years of service as determined by the Board from time to time.
- **Vacancies:** In the event that one or more vacancies occur on the Board, so long as the remaining directors constitute a quorum, they may exercise all of the powers of the directors and may appoint a director or directors to fill such vacancies for the unexpired term of such appointee's predecessor. Although not currently permitted pursuant to the Act, Section 12 of the Amended and Restated By-Law reflects the practice in other Canadian jurisdictions by authorizing the directors, should the Act be revised to permit such action, to appoint additional directors between Shareholder meetings provided that the total number of directors does not exceed the maximum number of directors set forth in the Articles or one and one-third times the number of directors required to be elected by the Shareholders at the previous Shareholder meeting.

Meetings of Directors

The provisions of the Amended and Restated By-Law dealing with meetings of directors are similar to the General By-Law, however, Section 20 has increased the quorum for a meeting of directors from three directors to a majority of the total number of directors then in office. In addition, the Chair of a meeting of directors is no longer able to cast a second or casting vote if there is an equality of votes on any matter.

Committees of Directors

New provisions have been included to provide for the appointment of committees from among the directors of the Corporation, including an audit committee of not less than three members, a majority of whom are independent from management (as specifically required by the Act, applicable securities laws and existing Fortis governance policies). Additional provisions in the Amended and Restated By-Law provide for the following:

- **Powers of a Committee:** Section 23 of the Amended and Restated By-Law provides that the directors may delegate any of their powers to a committee, other than in respect of certain statutorily prohibited items (such as the declaration of dividends and the approval of proxy circulars and annual financial statements) which are required by the Act to be dealt with by the directors.
- **Procedure and Quorum of a Committee:** A committee may set its own rules of procedure, subject to regulations imposed by the Board, and quorum, which must be not less than a majority of the members. Committees may pass resolutions in writing signed by all members. Each

committee must contain a minimum percentage of directors who are resident Canadians as mandated by the Act (currently 25%).

Officers

Provisions relating to the appointment of officers in the Amended and Restated By-Law are largely unchanged, except as follows:

- **Honorary Appointment:** The provision in the General By-Law providing for the appointment of honorary officers of the Corporation has not been included in the Amended and Restated By-Law.
- **Delegation of the Duties of Officers:** Section 29 of the Amended and Restated By-Law provides that in the case of the absence or inability or refusal to act by an officer of the Corporation for any reason, such officer's duties may be delegated to another officer or a director of the Corporation. This provision has been added for greater certainty as this issue is not specifically addressed in the Act.

Remuneration of Directors and Officers

A new Section 30, addressing remuneration, has been included in the Amended and Restated By-Law, which provides the remuneration of directors and officers will be set from time to time by directors' resolution, and will be in addition to any salary received by such director in his or her capacity as an officer of Fortis. The Amended and Restated By-Law also provides that directors may receive additional remuneration for special services to Fortis outside their normal work as a director, as determined from time to time by the directors.

Indemnities to Directors and Others

Sections 31 through 33 of the Amended and Restated By-Law have been drafted to reflect current corporate governance practices so that indemnification will be available to directors and officers in all circumstances, unless otherwise prohibited by the Act.

- **Indemnification Agreements:** The Amended and Restated By-Law expressly contemplates the entering into of indemnification agreements with directors and officers. Fortis has an established practice of entering into such agreements with its officers and directors in accordance with the Act.
- **Advance of Costs:** The Corporation may advance moneys to any indemnified party for a proceeding in which they are involved as a result of their service to the Corporation, unless prohibited by the Act.

Shareholders' Meetings

The Amended and Restated By-Law contains the following new provisions with respect to meetings of Shareholders:

- **Electronic Participation and Voting:** A new Section 36 of the Amended and Restated By-Law enables Fortis to make an appropriate electronic communications facility available, so that any person entitled to attend a Shareholders' meeting may participate using this facility and is deemed to be present at such meeting. Similarly, voting may be conducted using the electronic facility, if the votes can be gathered in a manner that permits, among other things, their subsequent verification.
- **Notice:** Section 38 of the Amended and Restated By-Law now provides that notice of Shareholder meetings may be given electronically and that the timing for delivery of notice of Shareholder meetings may be changed to reflect any change in the provisions of the Act governing the timing for providing notice of meetings to Shareholders.
- **Chair:** The General By-Law provides that the Chairman of the Board, or in his absence the President, or in his absence, a director, shall be appointed the chair of a Shareholders' meeting. In the Amended and Restated By-Law, the reference to a director has been replaced with a reference to a Vice President of the Corporation, reflecting current corporate governance best practices relating to the conduct of shareholder meetings.
- **Votes:** The second paragraph of Section 41 of the Amended and Restated By-Law provides that the chair of the meeting will no longer have the ability to cast a second or casting vote in respect of matters put to a shareholder vote. This approach reflects current corporate governance best practices.
- **Quorum:** Section 44 now provides that quorum for a meeting of Shareholders is at least two persons present who collectively hold or represent at least 25% of the issued and outstanding Common Shares. Quorum need only be present at the beginning of the meeting. The General By-Law established quorum at three Shareholders holding or representing by proxy at least 20% of the Common Shares.

Shares and Transfers of Securities

While the General By-Law does not contain provisions dealing with certificated and uncertificated securities of Fortis and the registration of transfers of such securities, the Amended and Restated By-Law contains typical provisions relating to these matters, including certain procedural matters not specifically dealt with in the Act.

Record Dates

Section 55 of the Amended and Restated By-Law introduces a new provision dealing with the setting of record dates in connection with Shareholder meetings and the declaration of dividends. The new provision specifically contemplates that the timing for such record dates may, in future, be changed to reflect any change in the provisions of the Act governing such timing.

Borrowing

The Amended and Restated By-Law contains the following provisions related to borrowing at Sections 72 through 74:

- **Guarantees:** The Corporation may, subject to the Act, guarantee the obligations of another person.
- **Delegation:** The directors may delegate any of their borrowing powers to one or more directors, officers or to a committee of directors. The borrowing powers referred to in the Amended and Restated By-Law are supplementary to the powers permitted by law.

Resolution

The text of the ordinary resolution approving the Amended and Restated By-Law is as follows, subject to any amendments, variations or additions as may be approved at the Meeting:

“RESOLVED THAT:

1. All previous by-laws of the Corporation are confirmed to be repealed and replaced with new By-Law No. 1, relating generally to the transaction of the business and affairs of the Corporation, in the form attached as Schedule B to the Management Information Circular of the Corporation dated 19 March 2012, provided that such repeal and replacement shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of new By-Law No. 1 and all resolutions of the shareholders or board of directors of the Corporation with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with new By-Law No. 1 and until amended or repealed; and
2. any officer of the Corporation be and is hereby authorized, for and in the name of and on behalf of the Corporation, to execute and deliver all such further agreements, instruments, amendments, certificates and other documents and to do all such other acts or things as such officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution by such officer and delivery of any such agreement, instrument, amendment, certificate or other document or the doing of any such other act or thing being conclusive evidence of such determination.”

Board Recommendation

*Management and the Board recommend that Shareholders vote **FOR** the confirmation of the Amended and Restated By-Law, and unless otherwise instructed, the persons named in the enclosed Proxy intend to vote **FOR** the Amended and Restated By-Law.*

APPROVAL OF 2012 STOCK OPTION PLAN

Background

An amended and restated stock option plan (the “2006 Stock Option Plan”) was approved by Shareholders on 2 May 2006. The 2006 Stock Option Plan replaced the stock option plan adopted by the Corporation in 2002 (the “2002 Stock Option Plan”), which replaced the executive stock option plan (the “Executive Stock Option Plan”) adopted by the Corporation in 1988. No options have been granted under the 2002 Stock Option Plan since 2006 and no options have been granted under the Executive Stock Option Plan since 2002; however, unexercised options remain outstanding under the 2002 Stock Option Plan. The 2006 Stock Option Plan and the 2002 Stock Option Plan (together, the “Former Plans”) are administered by the Human Resources Committee of the Corporation (the “Committee”) and the Board. The 2006 Stock Option Plan is described in more detail below under *Compensation Discussion and Analysis – Compensation Risk Considerations – Long-Term Performance*.

The 2006 Stock Option Plan provides for a fixed maximum of 4,679,295 Common Shares reserved for issuance, which represents 2.47% of the 189,261,358 Common Shares issued and outstanding as at 19 March 2012. Of this fixed maximum, 438,176 Common Shares, representing 0.23% of the issued and outstanding Common Shares, have been issued upon the exercise of previously granted options and are not available for future grants. As at 19 March 2012, there are options outstanding to acquire 3,666,481 Common Shares pursuant to the 2006 Stock Option Plan, leaving 574,638 Common Shares available for future option grants, representing 1.94% and 0.30%, respectively, of the issued and outstanding Common Shares. Together with the 986,671 Common Shares reserved for issuance upon the exercise of outstanding options granted under the 2002 Stock Option Plan, options to acquire 4,653,152 Common Shares remain unexercised and outstanding under the Former Plans, representing 2.46% of the issued and outstanding Common Shares.

Board Approval and Rationale

On 13 March 2012, the Board approved an amended and restated stock option plan (the “2012 Stock Option Plan”), subject to Shareholder approval as well as the approval of the TSX. Similar to the 2006 Stock Option Plan, the 2012 Stock Option Plan will provide employees (including officers but excluding directors) of the Corporation and its subsidiaries compensation opportunities that will encourage share ownership and enhance the Corporation’s ability to attract, retain and motivate key personnel and reward significant performance achievements. The 2012 Stock Option Plan was accepted for filing by the TSX on 16 March 2012, subject to approval by the Shareholders and the Corporation satisfying the requirements of the TSX, including the filing of all applicable documentation.

Notwithstanding the adoption of the 2012 Stock Option Plan, the Corporation will preserve each of the Former Plans which will continue to exist and remain in force as long as any options granted under the Former Plans are outstanding. The options outstanding under the Former Plans expire at various dates not later than 2018. No consolidation of the options already granted under the Former Plans will be made into the 2012 Stock Option Plan. Upon approval of the 2012 Stock Option Plan, the Corporation will cease to grant options under the 2006 Stock Option Plan. Consequently, the Corporation will have, for a period of time, three stock option plans in force, although all new options to be granted by the Corporation will be granted pursuant to the 2012 Stock Option Plan. Each Former Plan will cease to exist once all of the options granted under that plan have expired or been exercised.

Required Vote

In accordance with the requirements of the TSX, at the Meeting the Shareholders will be asked to consider and, if deemed advisable, pass an ordinary resolution approving the 2012 Stock Option Plan, a copy of which is attached hereto as Schedule C, and authorizing the Corporation to grant options in accordance with the 2012 Stock Option Plan. If the 2012 Stock Option Plan is not approved by the majority of the Shareholders voting in person or by proxy at the Meeting, it will not become effective. ***Management and the Board recommend that Shareholders vote FOR adoption of the 2012 Stock Option Plan, and unless otherwise instructed, the persons named in the enclosed Proxy intend to vote FOR approval of the 2012 Stock Option Plan.***

Summary of the Material Changes from the 2006 Stock Option Plan

Shareholders are urged to review the complete text of the proposed 2012 Stock Option Plan attached hereto as Schedule C. The summary set forth below describes the material changes of the 2012 Stock Option Plan from the 2006 Stock Option Plan as determined by the Board and is qualified in its entirety by reference to the full text of the 2012 Stock Option Plan.

Common Shares Available for Future Option Grants

Under the Former Plans, options to acquire 4,653,152 Common Shares remain unexercised and outstanding. Together with the 574,638 Common Shares available for future option grants under the 2006 Stock Option Plan, 5,227,790 Common Shares are currently reserved for issuance under the Former Plans. This amount represents 2.76% of the 189,261,358 Common Shares issued and outstanding as of 19 March 2012. On the recommendation of the Committee, the 2012 Stock Option Plan will permit the grant of options to purchase, in the aggregate, up to 10,000,000 Common Shares. Together with 4,653,152 outstanding options under the Former Plans, 14,653,152 Common Shares will be reserved for issuance under the 2012 Stock Option Plan and the Former Plans, representing 7.74% of the total number issued and outstanding Common Shares.

Exercise Period and Vesting

The provisions of the 2012 Stock Option Plan dealing with the eligibility, grant and terms of options are similar to the 2006 Stock Option Plan; however, the exercise period of options granted under the 2012 Stock Option Plan has been increased from seven (7) to ten (10) years from the date the option is granted, subject to any accelerated termination. In addition, options granted under the 2012 Stock Option Plan will vest and become exercisable at such time or times as may be determined by the Committee. Options granted under the 2006 Stock Option Plan vested over a period of four years from the date the option was granted.

Blackout Period

The 2006 Stock Option Plan provides that the expiration date all options that expire during a blackout period (being a period during which the option holder is prohibited from trading in the securities of Fortis pursuant to securities regulatory requirements or then applicable written policies of Fortis) will be extended and will expire 10 business days after the end of the blackout period. The 2012 Stock Option Plan provides that the expiration date of options expiring within 10 business days following the expiration of a blackout period will also be extended to the end of the tenth business day after the end of the blackout period. In addition, the 2012 Stock Option Plan clarifies that such an extension is not available where the blackout period is the result of a cease trade order issued by a securities regulatory authority to which the Corporation or the option holder is subject.

Change of Control

The 2012 Stock Option Plan requires that written notice of any proposed “change of control” be provided to each option holder. This notice will specify a period not less than 10 business days in which each option holder will be entitled to exercise all or a portion of the options granted to such holder. Unless the Committee determines otherwise, once the period specified in the notice expires, the rights of option holders to exercise any outstanding options terminate and all such options immediately expire and cease to have further force or effect, subject to the completion of the change of control. The 2006 Stock Option Plan contains no such provision.

In addition, the threshold for triggering a change of control in the context of an asset disposition has been increased in the 2012 Stock Option Plan. Under the 2012 Stock Option Plan, a “change of control” occurs when the assets, rights or properties of the Corporation and/or any of its subsidiaries, representing greater than 50% of the book value of the assets of the Corporation and its subsidiaries on a consolidated basis, are sold, leased, exchanged or otherwise disposed of in a single transaction or a series of related transactions. In the 2006 Stock Option Plan, the change of control threshold for asset dispositions is 30% of the book value of the assets of the Corporation and its subsidiaries on a consolidated basis.

Amendment Provisions

The 2006 Stock Option Plan contains a “general amendment” provision that permits amendments subject to the approval of the Board and, if material, the approval of the Shareholders. The TSX now requires issuers to include detailed amendment provisions in their stock option plans, failing which, all future amendments require shareholder approval, including amendments of a minor or housekeeping nature. In compliance with the amendment requirements of the TSX, the 2012 Stock Option Plan adopts detailed provisions to clarify when Shareholder approval is required in order to amend the 2012 Stock Option Plan.

No amendment requiring Shareholder approval under applicable law or the rules or policies of any stock exchange upon which Common Shares are traded from time to time shall become effective until such approval is obtained. In addition, the approval of Shareholders by ordinary resolution is required for any amendment or modification which:

- increases the maximum number of Common Shares issuable under the 2012 Stock Option Plan, except in connection with an adjustment made in accordance with the 2012 Stock Option Plan’s adjustment provisions;
- reduces the exercise price of an option granted under the 2012 Stock Option Plan (including the cancellation and re-grant of an option, constituting a reduction of the exercise price of an option), except in connection with an adjustment made in accordance with the 2012 Stock Option Plan’s adjustment provisions;
- expands eligibility to participate in the 2012 Stock Option Plan to a non-employee director or another insider of Fortis;
- removes, increases or exceeds the limits on participation in the 2012 Stock Option Plan for insiders of Fortis;
- permits options to be transferred or assigned other than for normal estate settlement purposes; and
- amends the amendment provisions of the 2012 Stock Option Plan, if such amendment is not an amendment: (i) to ensure continuing compliance with applicable law including, without limitation, the rules, regulations, and policies of the TSX; or (ii) of a “housekeeping”, clerical or technical nature.

Shareholder approval is not required for the following amendments to the 2012 Stock Option Plan, subject to any regulatory approvals, including, where required, the approval of the TSX:

- amendments of a “housekeeping” nature, including any amendment for the purpose of curing any ambiguity, error or omission in the 2012 Stock Option Plan or to correct or supplement any provision inconsistent with any other provision thereof;
- amendments necessary to ensure continuing compliance with the provisions of applicable law including, without limitation, the rules, regulations, and policies of the TSX;
- amendments to the eligibility to participate in the 2012 Stock Option Plan, other than an amendment which would have the potential of broadening or increasing participation by insiders of Fortis;
- increasing the exercise price of any option granted under the 2012 Stock Option Plan;
- amendments to the vesting and exercise provisions of the 2012 Stock Option Plan or any option granted under the 2012 Stock Option Plan in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Committee’s discretion;
- amendments to the termination provisions of the 2012 Stock Option Plan or any option granted under the 2012 Stock Option Plan which, in the case of an option, does not entail an extension beyond that option’s originally scheduled expiry date;
- adding a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying Common Shares from the Common Shares reserved for issuance under the 2012 Stock Option Plan;
- amendments to the provisions on transferability of options for normal estate settlement purposes;
- amendments respecting the administration of the 2012 Stock Option Plan, including changing the process by which an option holder can exercise his or her options;
- adding a conditional exercise feature which would give option holders the ability to exercise in certain circumstances determined by the Committee in its discretion, at any time up to a date determined by the Committee in its discretion, all or a portion of those options granted to such option holders which are then vested and exercisable in accordance with their terms, as well as any unvested options which the Committee has determined shall be immediately vested and exercisable in such circumstances; and
- amendments necessary to suspend or terminate the 2012 Stock Option Plan.

Withholding of Benefits

The 2012 Stock Option Plan includes withholding tax provisions which address recently introduced requirements of the *Income Tax Act* (Canada). The *Income Tax Act* (Canada) now requires the Corporation (or a subsidiary of the Corporation, as applicable) to withhold at source and remit amounts in respect of the taxable benefit realized by an option holder at the time of exercise in the same manner it would for ordinary employment compensation. Prior to this change, option holders were permitted to pay the associated tax upon filing a tax return for the year in which the options were exercised. Accordingly, the 2012 Stock Option Plan entitles the Corporation (or a subsidiary of the Corporation, as applicable) to deduct and withhold this taxable benefit from the other income of the option holder at the time of exercise or, alternatively, require the option holder to provide funds to satisfy the taxable benefit at the time of exercise. The 2006 Stock Option Plan contains no such withholding tax provisions.

Provisions of the 2012 Stock Option Plan Consistent with the 2006 Stock Option Plan

Like the 2006 Stock Option Plan, directors are not eligible to participate in the 2012 Stock Option Plan. No options will be granted under the 2012 Stock Option Plan and no Common Shares will be issued upon the exercise of options if, together with any other security based compensation arrangement established or maintained by Fortis, such a grant or issuance could result in: (i) the number of Common Shares issuable to insiders of Fortis, at any time, exceeding 10% of the issued and outstanding Common Shares; or (ii) the number of Common Shares issued to insiders of Fortis, within any one-year period, exceeding 10% of the issued and outstanding Common Shares.

The 2012 Stock Option Plan will be administered by the Committee. Consistent with the 2006 Stock Option Plan, the determination of the exercise price of options granted under the 2012 Stock Option Plan will be made by the Committee at a price not less than the volume weighted average trading price of the Common Shares determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the Common Shares traded on the TSX during such five trading days. The Committee will determine: (i) which “Eligible Persons” are granted options; (ii) the number of Common Shares covered by each option grant; (iii) the price per share at which Common Shares may be purchased; (iv) the time when the options will be granted; (v) the time when the options will vest; and (vi) the time at which the options will expire (not more than ten (10) years from the date of grant).

Options granted under the 2012 Stock Option Plan are personal to the option holder and not assignable, other than by testate succession or the laws of descent and distribution. In the event that a person ceases to be eligible to participate in the 2012 Stock Option Plan, the plan will no longer be available to such person. The grant of options does not confer any right upon a participant to continue employment or to continue to provide services to Fortis. Options granted under the 2012 Stock Option Plan will expire on the earlier of: (i) the original expiry date of the Options granted or; (ii) the third anniversary of the termination, death or retirement of the option holder.

Resolution

The text of the ordinary resolution approving the 2012 Stock Option Plan is as follows, subject to any amendments, variations or additions as may be approved at the Meeting:

“RESOLVED THAT:

1. The 2012 stock option plan (the “2012 Stock Option Plan”) of Fortis Inc. (the “Corporation”), in the form attached as Schedule C to the Management Information Circular of the Corporation dated 19 March 2012, be and is hereby approved;
2. the Corporation is hereby authorized to grant options to purchase the common shares of the Corporation (“Common Shares”) in accordance with the terms of the 2012 Stock Option Plan and upon the due exercise of such options, the Corporation is authorized to issue a maximum aggregate of 10,000,000 Common Shares from treasury, which Common Shares will be issued as fully paid and non-assessable Common Shares in the capital of the Corporation; and

3. any officer of the Corporation be and is hereby authorized, for and in the name of and on behalf of the Corporation, to execute and deliver all such further agreements, instruments, amendments, certificates and other documents and to do all such other acts or things as such officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution by such officer and delivery of any such agreement, instrument, amendment, certificate or other document or the doing of any such other act or thing being conclusive evidence of such determination.”

Board Recommendation

Management and the Board recommend that Shareholders vote FOR the resolution to approve the 2012 Stock Option Plan and, unless otherwise instructed, the persons named in the enclosed Proxy intend to vote FOR the 2012 Stock Option Plan.

APPROVAL OF 2012 EMPLOYEE SHARE PURCHASE PLAN

Background

An optional employee share purchase plan was approved by the Shareholders on 7 December 1987 and amended and restated on 29 November 1994 (the “1994 ESPP”). On 3 May 2010, the Board adopted an employee share purchase plan that satisfies share delivery obligations with purchases of Common Shares on the open market rather than issuances from treasury (the “2010 ESPP”). Other than market purchases, the 2010 ESPP employs principally the same terms as the 1994 ESPP (together with the 2010 ESPP, the “Former ESPPs”). The terms of the Former ESPPs are described in more detail below under *Compensation Discussion and Analysis – Compensation Risk Considerations – Full-Career Performance*.

The Corporation has reserved 3,000,000 Common Shares for issuance from treasury under the Former ESPPs. As of 19 March 2012, a total of 2,955,336 Common Shares have been issued from treasury to employees of the Corporation and its subsidiaries, with 44,664 Common Shares available for future issuances, representing 1.56% and 0.02%, respectively, of the 189,261,358 Common Shares issued and outstanding. Since 1 September 2010, no Common Shares delivered to participants under the Former ESPPs have been issued from treasury. As at 1 March 2012, more than 3,200 employees and retirees of the Corporation and its subsidiaries are participants in the Former ESPPs.

Board Approval and Rationale

On 13 March 2012, the Board approved an amended and restated employee share purchase plan (the “2012 ESPP”), subject to Shareholder approval as well as the approval of the TSX. Similar to the Former ESPPs, the 2012 ESPP will provide employees (including officers but excluding directors) of the Corporation and its subsidiaries with the opportunity to invest in the Corporation, thereby encouraging share ownership and enhancing the Corporation’s ability to attract, retain and motivate such employees. The 2012 ESPP was accepted for filing by the TSX on 16 March 2012, subject to approval by the Shareholders and the Corporation satisfying the requirements of the TSX, including the filing of all applicable documentation.

Upon Shareholder approval of the 2012 ESPP, the Former ESPPs will terminate and cease to exist. Any participant in the Former ESPPs will automatically be designated a participant under the 2012 ESPP. Employees of the Corporation and its subsidiaries may otherwise participate in the 2012 ESPP by executing and submitting an election agreement in accordance with the terms of the 2012 ESPP.

Required Vote

In accordance with the requirements of the TSX, at the Meeting the Shareholders will be asked to consider and, if deemed advisable, pass an ordinary resolution approving the 2012 ESPP, a copy of which is attached hereto as Schedule D, and authorizing the Corporation to issue Common Shares from treasury in accordance with the 2012 ESPP. If the 2012 ESPP is not approved by the majority of the Shareholders voting in person or by proxy at the Meeting, it will not become effective. ***Management and the Board recommend that Shareholders vote FOR approval of the 2012 ESPP, and unless otherwise instructed, the persons named in the enclosed Proxy intend to vote FOR approval of the 2012 ESPP.***

Summary of the Material Changes from the Former ESPPs

Shareholders are urged to review the complete text of the proposed 2012 ESPP attached hereto as Schedule D. The summary set forth below describes only the material changes of the 2012 ESPP from the Former ESPPs determined by the Board to be most relevant to Shareholders and is qualified in its entirety by reference to the full text of the 2012 ESPP.

Investment Date

In the 2012 ESPP, the term “investment date” will continue to refer to each of the four quarterly dividend payment dates of the Corporation in a calendar year, on which date the third-party agent administering the 2012 ESPP will have invested all employee, Fortis and participating Fortis subsidiary contributions received since the immediately preceding investment date. However, under the 2012 ESPP, “investment date” may alternatively refer to such other regular dates as may be specified by the Corporation, upon not less than 90 days’ notice to the administrative agent.

Eligible Employees

Unlike the Former ESPPs, part-time employees of Fortis and its subsidiaries that are not employed on a probationary, temporary, or seasonal basis and that are resident in Canada will be eligible to participate in the 2012 ESPP. In addition, full-time and part-time employees not resident in Canada will be eligible to participate in the 2012 ESPP upon written notice from the Corporation confirming that their participation in the 2012 ESPP is in compliance with applicable securities and other laws.

Employee Contributions

Eligible employees of the Corporation may participate in the 2012 ESPP by making lump sum contributions or by obtaining a loan from Fortis or a Fortis subsidiary, as applicable (an “Employee Loan”). A participant may elect to contribute to the 2012 ESPP, in the aggregate, an amount not less than 1% nor more than 10% of his or her base compensation in any calendar year. Under the Former ESPPs, a participant’s investment in Common Shares could not be less than \$100 (the 2012 ESPP is consistent with the Former ESPPs in establishing a 10% limit on employee contributions).

Manner of Purchase of Common Shares

The 2012 ESPP provides that Common Shares may be acquired on behalf of participants by the administrative agent by: (i) issuance from treasury; (ii) purchases from the open market; or (iii) a combination of treasury and open market, as may be determined by the Corporation no later than fifteen business days prior to the date in which all participant contributions in an investment period must be invested. The Corporation will otherwise not control the time, price, amount or manner of Common Share purchases made by the third-party administrative agent or the choice of broker through which the purchases are made. In addition, the administrative agent may not purchase Common Shares under the 2012 ESPP until certain “purchase conditions” have been met, including: (i) the satisfaction of all requirements under applicable securities laws; (ii) the admission of the Common Shares to listing on the TSX or any other stock exchange on which such Shares may then be listed; and (iii) receipt from a participant of such representations, agreements and undertakings as the Corporation determines necessary in order to comply with the securities laws in the jurisdiction of the participant.

The 2012 ESPP also updates the pricing mechanic for Common Shares issued from treasury. Common Shares issued from treasury must be purchased by the administrative agent at “fair market value”, which is defined as the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately prior to the date of purchase.

Insider Participation Limit

Under the 2012 ESPP, no Common Shares will be purchased on behalf of a participant if, together with any other security based compensation arrangement established or maintained by Fortis, such purchase could result in: (i) the number of Common Shares issuable to insiders of Fortis, at any time, exceeding 10% of the issued and outstanding Common Shares; or (ii) the number of Common Shares issued to insiders of Fortis, within any one year period, exceeding 10% of the issued and outstanding Common Shares.

Common Shares Reserved for Issuance from Treasury

Under the Former ESPPs, 3,000,000 Common Shares are reserved for issuance from treasury, of which 2,955,336 have been issued by the Corporation. Upon Shareholder approval, the number of Common Shares available for future issuances from treasury under the 2012 ESPP will be 2,044,664 Common Shares. This amount will represent 1.08% of the 189,261,358 Common Shares issued and outstanding as of 19 March 2012.

Retirement, Termination and Death

The 2012 ESPP clarifies the options available to a participant in respect of the Common Shares in the participant’s ESPP account following his or her retirement, termination or death. Upon such an event, a participant in the 2012 ESPP (or a participant’s estate, in the case of death) may elect to: (i) continue limited participation in the 2012 ESPP via reinvestment of dividends (only available in the event of retirement); (ii) transfer the Common Shares to an external account; or (iii) sell the Common Shares via the administrative agent and transfer the net proceeds from the sale to an external account. An ESPP participant or the participant’s estate must make such election by submitting a notice to the Corporation in the form prescribed within 90 days of his or her retirement, termination or death. In the event notice is not filed with the Corporation within the 90-day period, the Common Shares will be transferred to an external account bearing the participant’s name.

Amendment Provisions

The Former ESPPs provide that the Board may, from time to time, amend the Former ESPPs provided that such amendment will not be retroactively effective if prejudicial to participants. The TSX now requires issuers to include detailed amendment provisions in their security-based compensation arrangements, failing which, all future amendments require shareholder approval, including amendments of a minor or housekeeping nature. In compliance with the amendment requirements of the TSX, the 2012 ESPP adopts detailed provisions to clarify when Shareholder approval is required in order to amend the 2012 ESPP.

No amendment requiring Shareholder approval under applicable law or the rules or policies of any stock exchange upon which Common Shares are traded from time to time shall become effective until such approval is obtained. In addition, the approval of Shareholders by ordinary resolution is required for any amendment or modification which:

- increases in the maximum number of Common Shares reserved for issuance from treasury under the 2012 ESPP;
- expands eligibility to participate in the 2012 ESPP to a non-employee director or another insider of Fortis;
- permits a participant to contribute more than, in any calendar year, 25% of his or her base compensation for that year;
- provides for any additional form of financial assistance from the Corporation to 2012 ESPP participants;
- amends the definition of “Employer Contribution” to provide for financial assistance to 2012 ESPP participants that is greater than 25% of the participant’s contribution;
- removes, increases or exceeds the limits on participation in the 2012 ESPP for insiders of Fortis; and
- amends the amendment provisions of the 2012 ESPP, if such amendment is not an amendment: (i) to ensure continuing compliance with applicable law including, without limitation, the rules, regulations, and policies of the TSX; or (ii) of a “housekeeping”, clerical or technical nature.

Shareholder approval is not required for the following amendments to the 2012 ESPP, subject to any regulatory approvals, including, where required, the approval of the TSX:

- amendments of a “housekeeping” nature, including any amendment for the purpose of curing any ambiguity, error or omission in the 2012 ESPP or to correct or supplement any provision inconsistent with any other provision thereof;
- amendments necessary to ensure continuing compliance with the provisions of applicable law including, without limitation, the rules, regulations, and policies of the TSX;
- amendments to the eligibility to participate in the 2012 ESPP, other than an amendment which would have the potential of broadening or increasing participation by insiders of Fortis;
- amendments respecting the administration of the 2012 ESPP including, but not limited to, changing the process by which employees of the Corporation or its subsidiaries may participate in the 2012 ESPP, such as changing the dates in which investment of all contributions are due, changing the manner in which a participant may make contributions, changing the form of participation agreement and changing the place where such payments and notices must be delivered;
- amendments that permit a participant to contribute, in any calendar year, up to 25% of his or her base compensation for that year;
- amendments to the definition of “Employer Contribution” provided that the financial assistance extended to participants is not greater than 25% of the participant’s contribution;
- amendments necessary to introduce vesting or retention periods in respect of Common Shares purchased under the 2012 ESPP; and
- amendments necessary to suspend or terminate the 2012 ESPP.

Provisions of the 2012 ESPP Consistent with the Former ESPPs

Like the Former ESPPs, eligible employees may apply to participate in the 2012 ESPP by submitting to their employer an employee participation form. Employees that currently participate in the

Former ESPPs will be automatically enrolled in the 2012 ESPP. The benefits of the 2012 ESPP are not assignable.

Under the 2012 ESPP, Common Shares may be issued from treasury (as in the 1994 ESPP) or acquired in the open market by the administrative agent, Computershare Trust Company of Canada (as in the 2010 ESPP). The Shares issued from treasury will be deemed to be acquired at a price equal to the volume weighted average trading price of the Common Shares of Fortis determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of issuance by the total volume of the Common Shares traded on the TSX during such five trading days.

Eligible employees may contribute up to 10% of their annual base compensation through lump sum payments or Employee Loans. Consistent with the Former ESPPs, Fortis will contribute an amount equal to 10% of the participant's contributions to the 2012 ESPP. A participant must repay an Employee Loan, without interest, over a term not exceeding 52 weeks immediately following the date of such loan. The full amount of an outstanding Employee Loan will become due and payable immediately upon termination of employment, when any compensation owing to the participant will be applied to repayment of the Employee Loan.

Resolution

The text of the ordinary resolution approving the 2012 ESPP is as follows, subject to any amendments, variations or additions as may be approved at the Meeting:

“RESOLVED THAT:

1. The 2012 employee share purchase plan (the “2012 ESPP”) of Fortis Inc. (the “Corporation”), in the form attached as Schedule D to the Management Information Circular of the Corporation dated 19 March 2012, be and is hereby approved;
2. the Corporation is hereby authorized to issue a maximum aggregate of 2,044,664 common shares of the Corporation (“Common Shares”) from treasury in accordance with the terms of the 2012 ESPP, which Common Shares will be issued as fully paid and non-assessable Common Shares in the capital of the Corporation; and
3. any officer of the Corporation be and is hereby authorized, for and in the name of and on behalf of the Corporation, to execute and deliver all such further agreements, instruments, amendments, certificates and other documents and to do all such other acts or things as such officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution by such officer and delivery of any such agreement, instrument, amendment, certificate or other document or the doing of any such other act or thing being conclusive evidence of such determination.”

Board Recommendation

Management and the Board recommend that Shareholders vote FOR the resolution to approve the 2012 ESPP and, unless otherwise instructed, the persons named in the enclosed Proxy intend to vote FOR the 2012 ESPP.

ADVISORY VOTE ON APPROACH TO EXECUTIVE COMPENSATION

Compensation Objectives

As part of the Corporation's ongoing commitment to strong corporate governance practices, on 13 December 2011, the Board agreed to put forward at the Meeting a non-binding advisory vote approving the Corporation's approach to executive compensation ("Say on Pay"). The Board believes that the Corporation's executive compensation policies and practices must align closely the interests of executives and Shareholders and be consistent with corporate governance best practices in Canada. The Say on Pay resolution gives Shareholders an opportunity to indicate whether they support the disclosed objectives of the Corporation's executive compensation policies and practices, discussed in more detail in this Circular under *Compensation Discussion and Analysis* beginning on page 39.

Resolution

"RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the board of directors of the Corporation, the shareholders of the Corporation accept the approach to executive compensation as described in the *Compensation Discussion and Analysis* section of the Management Information Circular of the Corporation dated 19 March 2012."

Board Recommendation

*The Board recommends that Shareholders vote **FOR** the non-binding advisory vote on the approach to executive compensation of Fortis and, unless otherwise instructed, the persons named in the enclosed Proxy intend to vote **FOR** the non-binding advisory vote on the approach to executive compensation of Fortis.*

Non-Binding Nature of Resolution

Shareholders have the opportunity to vote **FOR** or **AGAINST** the non-binding advisory vote on Say on Pay. *The persons named in the enclosed Proxy, unless otherwise instructed, intend to vote **FOR** the non-binding advisory vote on Say on Pay.* As this is an advisory vote, the results of such vote will not be binding on the Board. However, the Board will take the results of the vote into account, as appropriate, when considering future compensation policies, practices and decisions and in determining whether there is a need to increase its engagement with Shareholders on compensation and related matters.

OTHER MATTERS

Management knows of no matters to come before the Meeting other than the business referred to in the Notice of Meeting. However, if any other matters should be properly brought before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the proxy nominee.

Shareholders entitled to vote at the next annual meeting to be held in 2013 and who wish to submit proposals in respect of any matter to be raised at such meeting must ensure that Fortis receives their proposals not later than 1 February 2013.

BOARD OF DIRECTORS

NOMINEES FOR ELECTION AS DIRECTORS

Eleven persons are being nominated for election as directors at the Meeting. Each of the nominees was elected to his or her present term of office at the Annual Meeting of Shareholders held on 6 May 2011. Details of each nominee's service on the boards of other reporting issuers are provided on page 36 of this Circular.

PETER E. CASE



**Corporate Director
Kingston, Ontario**

Age: 57
Director since: May 2005

Independent

Mr. Case retired in February 2003 as Executive Director, Institutional Equity Research at CIBC World Markets. During his 17-year career as senior investment analyst with CIBC World Markets and BMO Nesbitt Burns and its predecessors, Mr. Case's coverage of Canadian and selected U.S. pipeline and energy utilities was consistently rated among the top rankings.

He was awarded a Bachelor of Arts and an MBA from Queen's University and a Master of Divinity from Wycliffe College, University of Toronto.

Mr. Case was appointed Chair of the Audit Committee in March 2011. Mr. Case served on the Board of FortisOntario Inc. from 2003 through 2010 and as Chair of that Board from 2009 through 2010.

Board / Committee Membership		Attendance		Securities Held ⁽¹⁾	
Board of Directors		6 of 6	100%	Common Shares	10,500
Chairs Audit		7 of 7	100%	DSUs	10,358
				Total	20,858
Options Held (Director option grants discontinued in 2006)					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options ⁽²⁾
11 May 2005	11 May 2015	12,000	\$ 18.113	12,000	\$ 172,524

FRANK J. CROTHERS



**Chairman and Chief Executive Officer
Island Corporate Holdings Limited
Nassau, Bahamas**

Age: 67
Director since: May 2007

Independent

Mr. Crothers is Chairman and Chief Executive Officer of Island Corporate Holdings Limited, a private Bahamas-based investment company with diverse interests throughout the Caribbean, North America, Australia and South Africa. For more than 35 years, Mr. Crothers has served on many public and private sector boards. For over a decade he was on the board of Harvard University Graduate School of Education and also served a three-year term as Chairman of CARILEC, the Caribbean Association of Electrical Utilities. Mr. Crothers is the past President of FortisTCI Limited (formerly P.P.C. Limited), which was acquired by Fortis on 28 August 2006.

Mr. Crothers serves as non-executive Vice Chair of the Board of Caribbean Utilities Company, Ltd. He served on the Board of Belize Electricity Limited from 2007 through 2010.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾	
Board of Directors	5 of 6	83%	Common Shares	10,000
Governance and Nominating	1 of 1	100%	DSUs	11,547
			Total	21,547
Options Held (<i>Director option grants discontinued in 2006</i>)				
NIL - Mr. Crothers was elected to the Board following the cessation of option grants to directors.				

IDA J. GOODREAU



**Professor and Corporate Director
Vancouver, British Columbia**

Age: 60
Director since: May 2009

Independent

Ms. Goodreau is an Adjunct Professor at Sauder School of Business and Director of Strategy, Centre for Healthcare Management, University of British Columbia. She is the past President and Chief Executive Officer of LifeLabs. Prior to joining LifeLabs in March 2009, she had been President and Chief Executive Officer of Vancouver Coastal Health Authority since 2002. She has held senior leadership roles in several Canadian and international pulp and paper and natural gas companies.

Ms. Goodreau was awarded MBA and Hons. B.Comm. degrees from the University of Windsor and a B.A. (English and Economics) from the University of Western Ontario.

Ms. Goodreau is a director of FortisBC Holdings Inc. (formerly Terasen Inc.) and FortisBC Inc.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾	
Board of Directors	6 of 6	100%	Common Shares	-
Human Resources	3 of 3	100%	DSUs	11,591
			Total	11,591
Options Held (<i>Director option grants discontinued in 2006</i>)				
NIL - Ms. Goodreau was elected to the Board following the cessation of option grants to directors.				

DOUGLAS J. HAUGHEY



**President and Chief Executive Officer
Provident Energy Ltd.
Calgary, Alberta**

Age: 55
Director since: May 2009

Independent

Mr. Haughey is President and Chief Executive Officer of Provident Energy Ltd., an owner/operator of natural gas liquids midstream services and marketing. From 1999 through 2008, Mr. Haughey held several executive roles with Spectra Energy and predecessor companies. He had overall responsibility for its western Canadian natural gas midstream business, was President and Chief Executive Officer of Spectra Energy Income Fund and also led Spectra's strategic development and mergers and acquisitions teams based in Houston, Texas.

Mr. Haughey graduated from the University of Regina, with a Bachelor of Administration and from the University of Calgary with an MBA. He also holds an ICD.D designation from the Institute of Corporate Directors.

Mr. Haughey is a director of FortisAlberta Inc.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾	
Board of Directors	6 of 6	100%	Common Shares	9,000
Audit	7 of 7	100%	DSUs	5,742
			Total	14,742
Options Held (<i>Director option grants discontinued in 2006</i>)				
NIL - Mr. Haughey was elected to the Board following the cessation of option grants to directors.				

H. STANLEY MARSHALL



**President and Chief Executive Officer
Fortis Inc.
Paradise, Newfoundland and Labrador**

Age: 61
Director since: October 1995

Not Independent

Mr. Marshall is President and Chief Executive Officer of Fortis. He joined Newfoundland Power Inc. in 1979 and was appointed President and Chief Executive Officer of Fortis in 1996.

Mr. Marshall graduated from the University of Waterloo with a Bachelor of Applied Science (Chem. Eng.) and from Dalhousie University with a Bachelor of Laws. He is a member of the Law Society of Newfoundland and Labrador and a Registered Professional Engineer in the Province of Newfoundland and Labrador.

Mr. Marshall is a director of Fortis utility subsidiaries in British Columbia, Ontario and the Caribbean as well as Fortis Properties Corporation.

Board / Committee* Membership	Attendance		Securities Held ^{(1)**}	
Board of Directors	6 of 6	100%	Common Shares	438,785
Audit	7 of 7	100%		
Governance & Nominating	2 of 2	100%		
Human Resources	3 of 3	100%		

* Mr. Marshall attends committee meetings in his capacity as President and Chief Executive Officer ("CEO") as required and is not a member of the committees.

** Options are granted to Mr. Marshall in his capacity as CEO of Fortis and are detailed on pages 59 and 60 of this Circular.

JOHN S. McCALLUM



**Professor of Finance
University of Manitoba
Winnipeg, Manitoba**

Age: 68
Director since: July 2001

Independent

Mr. McCallum has been a Professor of Finance at the University of Manitoba since July 1973. He served as Chairman of Manitoba Hydro from 1991 to 2000 and as Policy Advisor to the Federal Minister of Finance from 1984 to 1991.

Mr. McCallum graduated from the University of Montreal with a Bachelor of Arts (Economics) and a Bachelor of Science (Mathematics). He was awarded an MBA from Queen's University and a PhD in Finance from University of Toronto.

Mr. McCallum was appointed Chair of the Governance and Nominating Committee of Fortis in May 2005. Mr. McCallum served as a director of FortisBC Inc. from 2004 through 2010 and FortisAlberta Inc. from 2005 through 2010.

Board / Committee Membership		Attendance		Securities Held ⁽¹⁾	
Board of Directors		5 of 6	83%	Common Shares	4,000
Chairs Governance & Nominating		2 of 2	100%	DSUs	37,127
Audit		7 of 7	100%	Total	41,127
Options Held (Director option grants discontinued in 2006)					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options ⁽²⁾
11 May 2005	11 May 2015	4,000	\$ 18.113	4,000	\$ 57,508
01 March 2005	01 March 2015	12,000	\$ 18.405	12,000	\$ 169,020
10 March 2004	10 March 2014	12,000	\$ 15.280	12,000	\$ 206,520
Total		28,000		28,000	\$ 433,048

HARRY McWATTERS



President
Vintage Consulting
Group Inc.
Summerland, British
Columbia

Age: 66
Director since: May 2007

Independent

Mr. McWatters is President of Vintage Consulting Group Inc., Harry McWatters Inc., Okanagan Wine Academy and Black Sage Vineyard Ltd., all of which are engaged in various aspects of the British Columbia wine industry. He is the founder and past President of Sumac Ridge Estate Wine Group.

Mr. McWatters is a director of FortisBC Holdings Inc. (formerly Terasen Inc.) and FortisBC Inc. He served as Chair of FortisBC Inc. from 2006 through 2010.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾	
Board of Directors	6 of 6	100%	Common Shares	1,100
Governance & Nominating	2 of 2	100%	DSUs	16,762
			Total	17,862
Options Held (<i>Director option grants discontinued in 2006</i>)				
NIL - Mr. McWatters was elected to the Board following the cessation of option grants to directors.				

RONALD D. MUNKLEY



Corporate Director
Mississauga, Ontario

Age: 65
Director since: May 2009

Independent

Mr. Munkley retired in April 2009 as Vice Chairman and Head of the Power and Utility Business of CIBC World Markets. He had acted as advisor on most Canadian utility transactions since joining CIBC World Markets in 1998. Prior to that, Mr. Munkley was employed at Enbridge Consumers Gas for 27 years, culminating as Chairman, President and Chief Executive Officer. He led Consumers Gas through deregulation and restructuring in the 1990s.

Mr. Munkley graduated from Queen's University with a B.Sc. Hons. (Eng). He is a professional engineer and has completed the Executive and Senior Executive Programs of the University of Western Ontario and the Partners, Directors and Senior Officers Certificate of the Canadian Securities Institute.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾	
Board of Directors	6 of 6	100%	Common Shares	12,000
Governance & Nominating	2 of 2	100%	DSUs	5,742
Human Resources	1 of 1	100%	Total	17,742
Options Held (<i>Director option grants discontinued in 2006</i>)				
NIL - Mr. Munkley was elected to the Board following the cessation of option grants to directors.				

DAVID G. NORRIS



Corporate Director
St. John's, Newfoundland
and Labrador

Age: 64
Director since: May 2005

Independent

Mr. Norris has been a financial and management consultant since 2001, prior to which he was Executive Vice President, Finance and Business Development, Fishery Products International Limited. Previously, he held Deputy Minister positions with the Department of Finance and Treasury Board, Government of Newfoundland and Labrador.

Mr. Norris graduated with a Bachelor of Commerce from Memorial University of Newfoundland and an MBA from McMaster University.

Mr. Norris was appointed Chair of the Board of Fortis in December 2010. He served as Chair of the Audit Committee from May 2006 through March 2011. He was a director of Newfoundland Power Inc. from 2003 through 2010 and served as Chair of that Board from 2006 through 2010. Mr. Norris was a director of Fortis Properties Corporation from 2006 through 2010.

Board / Committee Membership	Attendance		Securities Held ⁽¹⁾		
Chairs Board of Directors	6 of 6	100%	Common Shares	6,612	
Audit	7 of 7	100%	DSUs	28,900	
Human Resources	3 of 3	100%	Total	35,512	
Governance and Nominating	2 of 2	100%			
Options Held (Director option grants discontinued in 2006)					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options ⁽²⁾
11 May 2005	11 May 2015	12,000	\$ 18.113	12,000	\$ 172,524

MICHAEL A. PAVEY



Corporate Director
Moncton, New Brunswick

Age: 64
Director since: May 2004

Independent

Mr. Pavey retired as Executive Vice President and Chief Financial Officer of Major Drilling Group International Inc. in September 2006. Prior to joining Major Drilling Group International Inc. in 1999, he held senior executive positions including Senior Vice President and Chief Financial Officer of TransAlta Corporation.

Mr. Pavey graduated from University of Waterloo with a Bachelor of Applied Science (Mechanical Engineering) and from McGill University with an MBA.

Mr. Pavey was a director of Maritime Electric Company, Limited from 2001 through 2007 and was Chair of that company's Audit and Environment Committee from 2003 through 2007.

Board / Committee Membership		Attendance		Securities Held ⁽¹⁾	
Board of Directors		6 of 6	100%	Common Shares	2,266
Audit		4 of 4	100%	DSUs	18,979
Human Resources		3 of 3	100%	Total	21,245
Options Held (Director option grants discontinued in 2006)					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options ⁽²⁾
01 Mar 2005	01 Mar 2015	12,000	\$ 18.405	12,000	\$ 169,020
12 May 2004	12 May 2014	12,000	\$ 15.228	10,000	\$ 172,620
	Total	24,000		22,000	\$ 341,640

ROY P. RIDEOUT



Corporate Director
Halifax, Nova Scotia

Age: 64
Director since: March 2001

Independent

Mr. Rideout retired as Chairman and Chief Executive Officer of Clarke Inc. in October 2002. Prior to 1998, he served as President of Newfoundland Capital Corporation Limited and held senior executive positions in the Canadian airline industry.

Mr. Rideout graduated with a Bachelor of Commerce from Memorial University of Newfoundland and obtained designation as a Chartered Accountant.

He is the Chair of the Human Resources Committee of Fortis and has held that position since May 2003.

Board / Committee Membership		Attendance		Securities Held ⁽¹⁾	
Board of Directors		6 of 6	100%	Common Shares	27,289
Chairs Human Resources		3 of 3	100%	DSUs	23,870
Governance & Nominating		2 of 2	100%	Total	51,159
Options Held (Director option grants discontinued in 2006)					
Grant Date	Expiry Date	Options Granted	Exercise Price	Total Unexercised Options	Value of Unexercised Options ⁽²⁾
01 March 2005	01 March 2015	16,000	\$ 18.405	16,000	\$ 225,360
10 March 2004	10 March 2014	16,000	\$ 15.280	16,000	\$ 275,360
	Total	32,000		32,000	\$ 500,720

⁽¹⁾ Represents Common Shares and/or Deferred Share Units ("DSUs"), detailed on page 35 of this Circular and further described as follows under Director Compensation, beneficially owned, controlled or directed, directly or indirectly. This information has been furnished by the respective nominee.

⁽²⁾ Calculated using the closing price of Common Shares at 19 March 2012 of \$32.49.

DIRECTOR COMPENSATION

During 2011, annual compensation for directors, other than Mr. Marshall, consisted of cash compensation and deferred compensation as follows: annual retainer, meeting attendance fees and Deferred Share Units (“DSUs”). Each of these components is described in more detail below.

The following table describes the director compensation structure in place during 2011 as compared to the previous two years and the current fee structure effective 1 January 2012, which is unchanged:

	2012	2011	2010	2009
Annual Non-Executive Board Chair Retainer (cash or optional DSUs)	\$ 170,000	\$ 170,000	\$ 160,000	\$ 160,000
Annual Director Retainer (cash or optional DSUs)	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Annual Audit Committee Chair Retainer (cash or optional DSUs)	\$ 20,000	\$ 20,000	\$ 15,000	\$ 15,000
Annual Human Resources and Governance and Nominating Committee Chair Retainers (cash or optional DSUs)	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Annual Retainer paid in DSUs (equity component)	\$ 60,000	\$ 60,000	\$ 30,000	\$ 30,000
Board and Committee Meeting Attendance Fee	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500

The following table summarizes director compensation for 2011:

Individual Director Compensation - 2011

	Fees Earned ⁽¹⁾ \$	Share Based Awards (DSUs) ⁽²⁾ \$	All Other Compensation ⁽³⁾ \$	Total \$
Peter E. Case	81,000	60,000	-	141,000
Frank J. Crothers	55,500	60,000	70,735	186,235
Ida J. Goodreau	15,000	105,000	53,750	173,750
Douglas J. Haughey	66,000	60,000	33,750	159,750
H. Stanley Marshall ⁽⁴⁾	-	-	-	-
John S. McCallum	22,500	120,000	-	142,500
Harry McWatters	13,500	105,000	50,250	168,750
Ronald D. Munkley	61,500	60,000	-	121,500
David G. Norris	28,500	230,000	-	258,500
Michael A. Pavey	66,000	60,000	-	126,000
Roy P. Rideout	78,000	60,000	-	138,000
Total	487,500	920,000	208,485	1,615,985

⁽¹⁾ These amounts include all fees payable in cash for services as a director of Fortis, including annual director and committee chair retainers and meeting fees.

⁽²⁾ These amounts represent the annual equity compensation in the form of DSUs granted to a director of Fortis. These include both the mandatory equity component of the annual retainer of \$60,000 and any optional component of the annual director retainer or committee chair retainer as directed to be paid in DSUs rather than in cash. The amounts represent the cash equivalent at the time of issue. During 2011, the cumulative DSU holdings of participants increased by the notional reinvestment of dividends.

⁽³⁾ These amounts include all fees paid or payable by a subsidiary of Fortis to a director in his (her) capacity as a director of the payor subsidiary. In the case of Mr. Crothers, fees were paid in US dollars \$71,500 and converted into Canadian dollars at a rate of 0.9893%.

⁽⁴⁾ Mr. Marshall, as CEO, does not receive compensation as a director of Fortis. Director fees paid to Mr. Marshall from subsidiaries of Fortis are reported in footnote 5 of the Summary Compensation Table on page 58 of this Circular.

In 2004, the Board introduced the Directors' Deferred Share Unit Plan ("DSU Plan") as an optional vehicle for directors to elect to receive credit of their annual cash retainer in DSUs. The Board may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. During 2006, the Board elected to discontinue the grant of stock options to directors and initiated an annual grant of DSUs.

DSUs granted in lieu of cash payment of annual retainer are credited to participating directors as of 1 January of each year by dividing the total applicable annual retainer by the average of the daily average of the high and low board lot trading prices of the Common Shares on the TSX for the last five trading days immediately preceding the grant of the DSUs. Additional DSUs are credited on the quarterly dividend payment dates as notional dividends are assumed to be reinvested.

The annual grant of DSUs, that comprises the equity component of Fortis directors' annual compensation, is credited to all directors who are not officers of Fortis as of the grant date at the average of the daily average of the high and low board lot trading prices of the Common Shares on the TSX for the last five trading days immediately preceding the grant of the DSUs. On 1 January 2012, directors who were not officers of Fortis were each granted 1,822 DSUs at a price of \$32.918, equivalent to approximately \$60,000 in value. Additional DSUs are credited on the quarterly dividend payment dates as notional dividends are assumed to be reinvested.

Upon retirement from the Board, a director participant in the DSU Plan will receive a cash payment, in one or two instalments prior to 15 March of the first calendar year following retirement equivalent to the number of DSUs credited to the notional account multiplied by the average of the daily average of the high and low board lot trading prices of Common Shares on the TSX for the last five trading days immediately preceding the date of payment.

DIRECTOR EQUITY OWNERSHIP

Effective 1 January 2006, the Board adopted a policy regarding equity ownership by directors requiring directors to acquire Common Shares and/or DSUs equivalent in value to three times their annual retainer (inclusive of mandatory DSU grant) within four years from the date the person was first elected to the Board. As of the date of this Circular, all of the nominees meet the minimum equity ownership policy.

The following table shows the Common Share and DSU holdings of each of the director nominees as at 19 March 2012 and comparable holdings for the previous year.

Director ⁽¹⁾	Equity Ownership 19 March 2012		Equity Ownership 21 March 2011		Net Change in Equity Ownership		Market Value of Equity Ownership 19 March 2012 ⁽²⁾	Multiple of 2011 Annual Retainer (x)
	Common Shares	DSUs	Common Shares	DSUs	Common Shares	DSUs		
P.E. Case	10,500	10,358	10,500	8,216	-	2,142	677,676	5.42
F.J. Crothers	10,000	11,547	10,000	9,364	-	2,183	700,062	6.67
I.J. Goodreau	-	11,591	-	8,075	-	3,516	376,592	3.59
D.J. Haughey	9,000	5,742	8,000	3,764	1,000	1,978	478,968	4.56
J.S. McCallum	4,000	37,127	4,000	32,262	-	4,865	1,336,216	11.14
H. McWatters	1,100	16,762	1,100	14,393	-	2,369	580,336	5.53
R.D. Munkley	12,000	5,742	12,000	3,764	-	1,978	576,438	5.49
D.G. Norris	6,612	28,900	6,476	26,102	136	2,798	1,153,785	5.02
M.A. Pavey	2,266	18,979	2,179	16,532	87	2,447	690,250	6.57
R.P. Rideout	27,289	23,870	27,289	21,250	-	2,620	1,662,156	13.85

⁽¹⁾ Mr. Marshall's equity ownership is not reported in the above table as he does not receive compensation as a director of Fortis. He is compensated as President and CEO of Fortis and his Common Share ownership value as a multiple of his 2011 base salary is outlined on page 56 of this Circular.

⁽²⁾ Calculated using the closing price of Common Shares at 19 March 2012 of \$32.49.

DIRECTOR TENURE POLICY

The Board adopted a director tenure policy in 1999 which is reviewed on a periodic basis and was most recently reviewed and amended in September 2010. The policy provides that Directors of Fortis are to be elected for a term of one year and, except in exceptional circumstances determined by the Board, will be eligible for re-election until the Annual Meeting of Shareholders next following the earlier of the date on which they achieve age 70 or the 12th anniversary of their initial election to the Board. The policy does not apply to Mr. Marshall whose service on the Board is related to his tenure as CEO.

MAJORITY VOTING FOR DIRECTORS

Effective 1 January 2010, the Board adopted a policy stipulating that if any nominee for director receives, from the Common Shares voted at the Annual Meeting of Shareholders, a greater number of votes "withheld" than "for" his or her election, such director must promptly tender his or her resignation to the Chair, such resignation to take effect on acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director's offer to resign and recommend to the Board whether to accept it. Within 90 days of the Annual Meeting of Shareholders, the Board will make a final decision and announce it by way of media release. Any director who tenders his or her resignation will not participate in the deliberations of the Governance and Nominating Committee or the Board. This policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and officers' liability insurance has been purchased for the benefit of the directors and officers of Fortis. This policy is renewable effective 1 July each year. The premium for such insurance in respect of 2011 was \$282,492. The insurance coverage obtained under the current policy is \$125,000,000 in respect of any one incident, subject to a \$250,000 deductible for securities claims and a \$100,000 deductible for other claims.

REPORT ON CORPORATE GOVERNANCE

The Board of Directors and Management of Fortis acknowledge the critical importance of good corporate governance practices in the proper conduct of the affairs of Fortis. Fortis corporate governance practices comply with the Corporate Governance Guidelines promulgated in National Policy 58-201 – *Corporate Governance Guidelines*. Disclosure of Fortis approach to corporate governance in compliance with Form 58-101F1 (under National Instrument 58-101 – *Disclosure of Corporate Governance Practices*) is set out in the *Disclosure of Corporate Governance Practices* annexed as Schedule A on page 65 of this Circular.

THE BOARD OF DIRECTORS

The Board has concluded that 10 of the 11 nominees for election as directors as outlined in *Board of Directors* on pages 25 through 32 of this Circular are independent in accordance with the definition of independence set out in Section 1.4 of National Instrument 52-110 – *Audit Committees*. Mr. Marshall is not considered independent because he is the President and CEO of Fortis.

Currently, there are no instances where directors of Fortis serve as directors on the same board of another reporting issuer, other than a subsidiary of Fortis. The following table sets forth the current directors who serve on the boards of reporting issuers, other than subsidiaries of Fortis, together with their committee involvement on such boards:

Director	Reporting Issuer	Committee
F.J. Crothers	AML Limited Talon Metals Corp. Templeton Mutual Funds	Audit
D.J. Haughey	Provident Energy Ltd	
H.S. Marshall	Enerflex Ltd	Human Resources (Chair)
J.S. McCallum	IGM Financial Inc. Toromont Industries Ltd	Related Party and Conduct Review (Chair); Audit (Chair); Public Policy; Governance and Nominating Audit (Chair); Corporate Governance, Lead Director
R.D. Munkley	Bird Construction Inc.	Audit; Personnel and Safety
R.P. Rideout	NAV CANADA	Human Resources and Compensation (Chair); Governance and Nominating

The Board annually appoints from amongst its members three standing Committees: the Governance and Nominating Committee, the Audit Committee and the Human Resources Committee. Fortis does not have an executive committee of the Board. Each committee has a written mandate which sets out the activities or areas of Fortis business to which the committee is required to devote its attention. All committees are

currently composed of independent and unrelated directors. Mr. Marshall attends committee meetings in his capacity as President and CEO of Fortis and is not a member of any committee.

GOVERNANCE AND NOMINATING COMMITTEE

The mandate of the Governance and Nominating Committee requires the committee, among other things, to:

- (i) develop and recommend the Fortis approach to corporate governance issues to the Board;
- (ii) propose new nominees for election to the Board;
- (iii) carry out procedures specified by the Board for assessing the effectiveness of the Board, the directors and each Board committee;
- (iv) approve the engagement of an outside expert, or experts, by an individual director at Fortis expense; and
- (v) review and make recommendations to the Board with respect to the compensation of directors.

The members of the Governance and Nominating Committee, who are all independent and unrelated, are John S. McCallum (Chair), David G. Norris, Harry McWatters, Ronald D. Munkley, Roy P. Rideout and Frank. J. Crothers from 6 May 2011. The Governance and Nominating Committee held two meetings during 2011.

AUDIT COMMITTEE

The Audit Committee provides assistance to the Board by overseeing the external audit of the annual financial statements and the accounting and financial reporting and disclosure processes of Fortis. Details regarding the Audit Committee and its mandate can be found in Section 11 of the Fortis 2011 Annual Information Form which can be viewed at either www.fortisinc.com or on SEDAR at www.sedar.com.

The members of the Audit Committee, who are all independent and unrelated, are Peter E. Case (Chair), David G. Norris, Douglas J. Haughey, John S. McCallum and Michael A. Pavey from 6 May 2011. The Audit Committee held seven meetings during 2011.

HUMAN RESOURCES COMMITTEE

The compensation committee functions of Fortis are fulfilled by the Human Resources Committee whose mandate requires the committee, among other things, to:

- (i) assist and advise the Board in appointing officers of the Corporation;
- (ii) monitor the training and development of senior management and planning for succession within the ranks of senior management;
- (iii) oversee the form and adequacy of the compensation and benefits provided by Fortis to its senior management; and
- (iv) administer all incentive compensation plans and arrangements including the 2006 Stock Option Plan, the Short-Term Incentive Plan, the Performance Share Unit Plan and any

other stock option, stock appreciation rights, restricted share, or other form of incentive compensation plans.

The members of the Human Resources Committee, who are all independent and unrelated, are Roy P. Rideout (Chair), David G. Norris, Ida J. Goodreau, Michael A. Pavey and Ronald D. Munkley from 6 May 2011. The Human Resources Committee held three meetings during 2011.

Fortis recognizes the importance of appointing knowledgeable and experienced individuals to the Human Resources Committee. All Committee members have the necessary background and skills to provide effective oversight of executive compensation and ensure that sound risk management principles are being adhered to in order to align corporate and shareholder interests. More specifically, all of our Committee members have significant senior leadership experience from their tenures at large organizations, as well as direct operational or functional experience overseeing executive compensation at large organizations similar in complexity to Fortis. The majority of the Committee members (four of five members) are currently serving or have served on compensation committees of the boards of other large organizations and all have received related education/training in executive compensation.

In fulfilling its duties and responsibilities, the Human Resources Committee seeks periodic input, advice and recommendations from various sources, including the Board, executive officers and external independent compensation consultants. Hay Group Limited (“Hay Group”) has served as the primary external independent advisor and consultant to the Human Resources Committee on matters relating to executive compensation since 1997. In addition to the mandates as directed by the Human Resources Committee, Hay Group also provides Fortis and its subsidiaries with market compensation data from its national database.

The Human Resources Committee retains discretion in its executive compensation decisions and is not bound by the input, advice and/or recommendations received from the external independent consultant.

REPORT ON EXECUTIVE COMPENSATION

2011 Report of the Human Resources Committee of the Board of Directors

The *Compensation Discussion and Analysis* that follows discusses the Corporation’s executive compensation programs and policies. The primary elements of the Human Resources Committee’s mandate are oversight of the Corporation’s succession planning, CEO selection, and compensation programs and policies while making decisions regarding the compensation of executives based on those programs and policies. As a result, the Human Resources Committee has participated in the preparation of the *Compensation Discussion and Analysis* and has recommended to the Board that the *Compensation Discussion and Analysis* be included in this Circular.

Roy P. Rideout (Chair)
David G. Norris
Ida J. Goodreau

Michael A. Pavey
Ronald D. Munkley

The following discussion pertains to the three Named Executive Officers (“NEOs”) of Fortis:

1. H. Stanley Marshall – President & CEO;
2. Barry V. Perry – Vice President, Finance & Chief Financial Officer (“CFO”); and
3. Ronald W. McCabe – Vice President, General Counsel & Corporate Secretary (“General Counsel”).

COMPENSATION DISCUSSION AND ANALYSIS

The Corporation's executive compensation program is designed to attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility.

EXECUTIVE COMPENSATION POLICY

Objectives

Executive compensation practices at Fortis are specifically designed to:

- Motivate executives to deliver strong business performance;
- Attract and retain highly qualified executives;
- Align the interests of executives and shareholders;
- Balance executive compensation paid for short-term and long-term results;
- Mitigate the perceived risks inherent in the compensation structure;
- Ensure that a significant portion of executive compensation is dependent upon individual and corporate performance while contributing to increasing shareholder value; and
- Keep the executive compensation program simple to communicate and administer.

Compensation Review Framework

Annual Review

Fortis monitors, reviews, and evaluates its executive compensation program annually to ensure that it provides reasonable compensation ranges at appropriate levels while remaining competitive and effective.

As part of the annual review process, Fortis engages Hay Group, its primary compensation consultant, to provide comparative analyses of market compensation data reflecting the pay levels and practices of Canadian Commercial Industrial companies. Using this data, a detailed review is prepared to analyze the competitive compensation positioning of Fortis against its reference group. Hay Group provides preliminary recommendations to management on the basis of pay competitiveness, emerging market trends and best practices.

The Committee takes into account the corporate performance against pre-determined objectives and determines a set of new performance objectives for the following year. Individual performance reviews, incentive award payouts, and compensation adjustments, if any, are also determined at this stage.

In the final step, the Human Resources Committee seeks approval from the Board regarding current year's compensation payouts and next year's performance objectives. The Human Resources Committee and the Board may exercise discretion when making compensation decisions in appropriate circumstances and make deviations from the prescribed incentive award formulas, if necessary.

Triennial Review

Fortis conducts a triennial review of its executive compensation program using the services of its primary compensation consultant and another compensation consultant. The triennial review seeks to address organizational and market changes that may affect the competitiveness of the existing pay programs, identify and mitigate risks inherent in the current pay structure, as well as the ongoing compliance with disclosure and corporate governance requirements. More specifically, the triennial review covers the following areas:

- Relative ranking of jobs by value;
- Reference group relevance and appropriateness;
- Compensation mix and risk reward balance;
- Short- and long-term incentive plan design and performance measurement; and
- Other policies and provisions.

The latest triennial review was conducted during 2009 and led to the implementation, effective 1 January 2010, of the 2010 Executive Compensation Policy. The next triennial review is scheduled to take place in 2012. Fortis operating subsidiaries follow a similar process to develop executive compensation policies reflecting their specific operating environments.

Competitive Positioning

As a general policy, Fortis compensates executives at a level approximately at the median of the practice among a broad reference group of 268 Canadian Commercial Industrial companies from the Hay Group database. This reference group does not include organizations in the financial services and broader public sectors. It does include organizations from the energy, mining and manufacturing sectors. This reference group represents a broad spectrum of Canadian Commercial Industrial organizations with which Fortis competes for executive talent. Fortis does not benchmark actual performance against a particular reference group.

The Human Resources Committee, at the recommendation of Hay Group, decided to use a blended approach when developing the CEO comparator group due to data limitation in the Hay Group database at the Fortis CEO level. The CEO's compensation is referenced against a group of 26 companies combining Hay Group and publicly disclosed compensation data. The selected companies comprise mainly large organizations that occupy leading positions in their respective industries and are comparable in scale and complexity to Fortis. Together this group of 26 companies represents the comparative talent market for the CEO on a national level while preserving the multi-industry characteristics of the Hay Group Commercial Industrial database that is used for analysis for other Fortis executives. The 26 companies are as follows:

Atco Ltd.	IAMGOLD Corp.	Teck Resources Limited
Barrick Gold Corporation	Imperial Oil Ltd.	Teekay Corporation
Canadian Pacific Railway	Kinross Gold Corporation	Tembec Inc.
Canadian Tire Corp Ltd.	Methanex	Toromont Industries Ltd.
Capital Power	Nexen Inc.	TransAlta Corp.
Emera	Potash Corp of Saskatchewan Inc.	TransCanada Corp.
Enbridge Inc.	Russel Metals Inc.	Wajax
Finning International Inc.	Sherritt International Corporation	Xstrata Nickel
Goldcorp Inc.	Suncor Energy Inc.	

The continued appropriateness of both reference groups is discussed periodically and formally considered as part of the triennial review of the Executive Compensation Policy.

Annually, the Human Resources Committee uses the median compensation data from the appropriate reference group to compare each executive position to jobs of similar responsibility within the reference group. This framework serves as a guide for the Human Resources Committee’s deliberations. The actual total compensation and/or amount of each compensation element for an executive officer may be more or less than the median amount.

Say On Pay

Fortis will implement an annual shareholder advisory vote on the approach to executive compensation in 2012 as more particularly described on page 23 of this Circular.

COMPENSATION RISK CONSIDERATIONS

Risk is formally considered throughout the Corporation’s annual and triennial compensation review processes to ensure that effective control systems are in place to mitigate the perceived risks inherent in the compensation structure, both at the parent and at the subsidiary levels. The Human Resources Committee has identified the following external and internal risk controls within Fortis executive compensation program:

External Compensation Risk Mitigating Controls

With respect to the regulated gas and electric utility operations, there are extensive regulatory frameworks, as well as reporting and approval mechanisms that govern the operation of regulated utility subsidiaries. At the corporate level, Fortis ongoing compliance with existing regulatory requirements and emerging best practices ensure that risks within its compensation program are being continually monitored and controlled.

Internal Compensation Risk Mitigating Controls

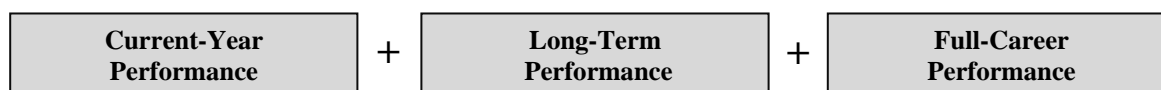
The Fortis compensation program is designed such that risk is taken into consideration throughout the compensation review process:

Annual Salary	<ul style="list-style-type: none"> • Annual salaries are targeted approximately at market median levels and, as such, do not encourage excessive risk-taking.
Short-Term Incentives	<ul style="list-style-type: none"> • Board Discretion: The Human Resources Committee retains the discretion to make upward or downward adjustments to the prescribed incentive payout formulas and actual payouts based on its assessment of the risk assumed to generate financial results, circumstances that may have influenced individual performance, as well as external factors that may have impacted the Corporation’s financial performance. • Award Cap: Short-term incentives awarded to executives are capped at 150% of targeted annual incentive; however, the Human Resources Committee retains the discretion to award up to a maximum of 200% of targeted annual incentive in recognition of individual response to exceptional challenges or opportunities and may make deviations in appropriate circumstances.

	<ul style="list-style-type: none"> • Single Performance Factor: Fortis does not use a single performance factor and its Short-Term Incentive plan encourages behaviours that align with the long-term interests of the Corporation and its shareholders by heavily weighting the achievement of Earnings per Share (“EPS”) targets, along with operational excellence, and sustained individual performance. To a large extent Fortis earnings reflect a roll-up of earnings from its substantially autonomous regulated subsidiaries. Fortis accordingly concluded that the use of an EPS-based annual target performance measure including a + or - 5% performance range is appropriate. Such narrow band does not incentivize excessive risk-taking and/or short-term decision making. EPS has been used as a key factor in determining incentive payments for the Corporation’s executive officers for 10 years and Fortis has achieved sustained growth and success over this time period. The use of EPS has proven to be an effective performance objective which has not led to imprudent management practices and encourages continuation of the Fortis record of providing 39 consecutive years of annual common share dividend payment increases.
<p>Long-Term Compensation</p>	<ul style="list-style-type: none"> • Stock Option Grants linked directly to Stock Ownership Requirements: To encourage executive ownership, Fortis implemented stock ownership guidelines requiring the CEO to hold, at minimum, shares equivalent to four times his base salary within five years of being appointed to the CEO position. The CEO currently exceeds this minimum ownership requirement. Share ownership for executives, including the NEOs, is encouraged through Fortis’ Executive Compensation Policy, whereby the options granted each year to any executive are limited to the lesser of the number of options prescribed to that particular position and the minimum number of shares actually owned by the individual since the beginning of the previous calendar year. <p>While minimum share holdings are not formally prescribed by policy, except in the case of the CEO, tying the number of stock option grants to an executive’s share holdings encourages high levels of executive share ownership. The stock ownership of all NEOs is disclosed on page 56 of this Circular.</p> <ul style="list-style-type: none"> • Performance Share Units (“PSUs”): PSUs are awarded to the CEO to emphasize the CEO’s greater ability to affect corporate performance, to reinforce his accountability for developing and successfully implementing the continuing growth strategy of the Corporation, and to be rewarded accordingly. Awarding PSUs to the CEO also strengthens the proportion of deferred compensation in the overall pay mix, which provides for appropriate alignment between incentive payouts and the timeline of risks for the Corporation. • Anti-Hedging Policy: Executive officers are not permitted to hedge against declines in the market value of equity securities received as compensation.

Elements of Total Compensation

Considering the objectives above, NEOs are rewarded for performance through the following three components of compensation:



Current-Year Performance		
Compensation Element (Eligibility)	Description	Compensation Objectives
Annual Base Salary <i>(all NEOs)</i>	Salary is a market competitive, fixed level of compensation.	Attract and retain highly qualified executives. Motivate strong business performance.
Annual Incentive <i>(all NEOs)</i>	Combined with salary, the target level of annual incentive is intended to provide executives with a market-competitive total cash opportunity. EPS is the corporate performance metric. Annual incentive payouts depend on individual and corporate performance.	Attract and retain highly qualified executives. Motivate strong business performance. Compensation dependent on individual and corporate performance. Simple to communicate and administer.

Long-Term Performance		
Compensation Element (Eligibility)	Description	Compensation Objectives
Stock Options <i>(all NEOs)</i>	Annual equity grants are made in the form of stock options. The amount of annual grant is dependent on the level of the executive and his/her current share ownership level. Planned grant value is converted to the number of options granted by dividing the planned value by the predetermined, formulaic planning price derived using the Black-Scholes Option Pricing Model. Options vest over a four-year period.	Align executive and shareholder interests. Attract and retain highly qualified executives. Encourage strong long-term business performance. Balance compensation for short- and long-term results. Simple to communicate and administer.

Long-Term Performance (cont'd)		
Compensation Element (Eligibility)	Description	Compensation Objectives
PSUs (only the CEO)	<p>Equity grant value based on performance and retention objectives for the CEO.</p> <p>Grant value is converted to the number of units granted by dividing the planned value by the predetermined, formulaic planning price.</p> <p>At the end of the three-year performance period, the Human Resources Committee assesses the performance of the CEO against the pre-defined objectives as well as total return performance and, if thought fit, authorizes payment of the accumulated PSU balance (inclusive of notional dividends) at the price determined pursuant to the plan.</p> <p>Paid in cash upon completion of the three-year performance period.</p>	<p>Align executive and shareholder interests.</p> <p>Attract and retain highly qualified executives.</p> <p>Encourage strong long-term business performance.</p> <p>Balance compensation for short- and long-term results.</p> <p>Compensation dependent on individual and corporate performance.</p> <p>Encourages sustained, mid-term growth by linking a portion of compensation to mid-term performance.</p> <p>Simple to communicate and administer.</p>

Full-Career Performance		
Compensation Element (Eligibility)	Description	Compensation Objectives
ESPP (All employees, including NEOs)	Executives can participate in the ESPP under the same terms and conditions as other employees.	<p>Align executive and shareholder interests.</p> <p>Attract and retain highly qualified executives.</p>
Self-directed Registered Retirement Savings Plan ("RRSP") (all NEOs)	<p>Fortis contributes on a matching basis to self-directed RRSPs for each executive up to the maximum RRSP contribution limit.</p> <p>RRSP contributions for the CEO commenced on 1 January 2007.</p>	<p>Attract and retain highly qualified executives.</p> <p>Simple to communicate and administer.</p>
Defined Contribution Supplemental Employee Retirement Plan ("DC SERP") (all NEOs)	<p>Accrual of 13% of base salary and annual incentive in excess of the maximum RRSP contribution limit.</p> <p>Notionally accrues interest at the 10-year Government of Canada bond yield rate plus a premium of 1% to 3% dependent upon years of service.</p> <p>At time of retirement, paid in one lump sum or in equal payments up to 15 years at the option of the NEO.</p>	<p>Attract and retain highly qualified executives.</p> <p>Simple to communicate and administer.</p>

Annual Base Salary

Annual base salaries for the NEOs are reviewed by the Human Resources Committee and established annually in the context of total compensation and by reference to the range of salaries paid by Hay Group's Canadian Commercial Industrial Companies comparator group, in the case of the CFO and General Counsel, and to the specific group of Commercial Industrial companies for the CEO. Fortis policy is to pay executives at approximately the median of the salaries paid to executives in these comparator groups.

Annual Incentive

Fortis uses an annual incentive plan that provides for annual cash payouts to reward executives for performance over 12 months. The amount of each executive's annual incentive is determined by the Board upon recommendation of the Human Resources Committee following annual assessment of corporate and individual performance against pre-determined targets and is expressed as a percentage of each executive's annual base salary. The incentive plan is reviewed annually by the Board, upon recommendation from the Human Resources Committee, and is premised upon meeting and exceeding the current year's corporate performance targets and individual performance objectives.

Considerations relevant to the determination of corporate performance targets include general economic factors and business conditions, anticipated regulatory proceedings, and the derivation of and relative contribution to earnings of particular business segments. The ability to generate year-over-year earnings growth can be constrained by the absence of acquisitions, utility regulatory decisions, general economic factors and the relative earnings mix between regulated and non-regulated activities.

The directors have full discretion in respect of the operation of the annual incentive plan and are required to take into account all relevant circumstances in the exercise of judgment regarding the amounts and terms of annual incentive plan payments. The Board may make deviations from prescribed formulas in appropriate circumstances, having regard to the overall performance of the individual NEO, the Corporation and external considerations.

The sequential process for setting and determining the annual incentive payout is as follows:

Target Setting

1. Weightings are assigned between corporate and individual performance.
 - The relative ability of each executive to impact corporate performance is reflected in the weighting between corporate and individual elements, with 80% of the CEO's annual incentive primarily dependent upon corporate performance.

2011 Corporate and Individual Performance Mix

Position	Corporate Performance %	Individual Performance %	Total %
President & CEO	80	20	100
VP, Finance & CFO	70	30	100
VP, General Counsel	50	50	100

2. Target and maximum annual incentive payouts are delineated as a percentage of base salary.
 - Selective adjustments were made in 2011 to the targeted annual incentives for the CEO and the General Counsel to align closer with the market median practices. As a result, the targeted annual incentives for the CEO were set at 85% (formerly 80%), 50% (unchanged) for the CFO, and 40% (formerly 30%) for the General Counsel of their respective annual base salaries for 2011.
 - Annual incentive payouts are earned for meeting expected corporate performance targets as adjusted for factors determined to be beyond the reasonable control of management as reviewed by the Audit Committee and approved by the Human Resources Committee.
 - The annual incentive plan contemplates payment at 150% of target (normal maximum) when superior performance is achieved, with an additional 50% of target available to be awarded at the Board's discretion in recognition of individual response to exceptional challenges or opportunities.
 - The Board retains discretion to make deviations from the prescribed formulas in appropriate circumstances, having regard to the overall performance of the individual NEO, the Corporation and external considerations.
 - Generally, no payments will be made in respect of the corporate component where corporate performance is below a minimum threshold predetermined by the Board.
 - Where individual performance is judged to be unsatisfactory during the year, no annual incentive payment will be made, notwithstanding that certain thresholds/targets were met.

Determinations

1. Corporate performance is determined by reference to EPS results compared to the Corporation's annual Business Plan approved by the Board.
 - The target EPS range of projected Business Plan performance is developed by the Human Resources Committee and recommended to the Board for adoption.
 - Events beyond the reasonable control of management, such as effects of power prices and hydrological conditions, are identified and adjusted, either upward or downward, by the Human Resources Committee when assessing measurement of actual EPS against target EPS.
 - The Audit Committee reviews the proposed adjustments to actual EPS for events beyond the reasonable control of management and confirms the financial implications of such events to the Human Resources Committee for its assessment in developing a recommendation for Board approval.
 - For 2011 the Board adopted a range of + or – 5% of the EPS projected in the Business Plan for the purpose of setting the maximum target and minimum acceptable corporate performance.

Corporate Performance Targets

	Earnings Per Share	Annual Incentive Payout
95% of Business Plan	1.58	50%
Business Plan	1.66	100%
105% or more of Business Plan	1.74	150%

- Performance between 95% and 105% of Business Plan results in an interpolated payout between 50% and 150% of Target.
 - Performance below 95% of Business Plan results in zero payout.
2. Individual performance is determined by measuring results against individual executive performance objectives approved by the Human Resources Committee in the first quarter of the financial year.
 3. Each NEO's annual incentive payment is determined by the Board, upon recommendation from the Human Resources Committee.

A summary of the performance metrics, weightings, and potential multiples for each NEO is shown below.

Position	Corporate Performance Targets ⁽¹⁾			Individual Performance Targets ⁽¹⁾		
	Weight	Metric	Payout Range	Weight	Metric	Payout Range
President & CEO	80%	EPS	0 - 150%	20%	Multiple	0 - 150%
VP, Finance & CFO	70%	EPS	0 - 150%	30%	Multiple	0 - 150%
VP, General Counsel	50%	EPS	0 - 150%	50%	Multiple	0 - 150%

⁽¹⁾ The Corporate Performance multiple plus the Individual Performance multiple can range between 0% to 150%. The final incentive percentage can be increased at the Board's discretion based on the NEO's response to exceptional challenges or opportunities.

Long-Term Performance

Long-Term Incentives

Long-term incentives ("LTI") are granted to align executives' interests with shareholders' interests in increasing shareholder value. Two programs currently used by Fortis are: (i) Stock Options under the 2006 Stock Option Plan and (ii) PSUs under the Performance Share Unit Plan ("PSUP") established in 2004 for the CEO.

Descriptions of these two plans are set out below:

1. 2006 Stock Option Plan

The 2006 Stock Option Plan was approved by the Shareholders on 2 May 2006 for the grant of Options to Eligible Persons and has not been amended in the latest financial year. Directors are not eligible to participate in the 2006 Stock Option Plan. No Options shall be granted under the 2006 Stock Option Plan if, together with any other security based compensation arrangement established or maintained by Fortis, such granting of options could result in: (i) the number of Common Shares issuable to insiders of Fortis, at any time, exceeding 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders of Fortis, within any one-year period, exceeding 10% of the issued and outstanding Common Shares.

The 2006 Stock Option Plan is administered by the Human Resources Committee. Pursuant to the 2006 Stock Option Plan, the determination of the exercise price of Options is made by the Human Resources Committee at a price not less than the volume weighted average trading price of the Common Shares of Fortis determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the

Common Shares traded on the TSX during such five trading days. The Human Resources Committee determines: (i) which Eligible Persons are granted Options; (ii) the number of Common Shares covered by each Option grant; (iii) the price per share at which Common Shares may be purchased; (iv) the time when the Options will be granted; (v) the time when the Options will vest; and (vi) the time at which the Options will expire.

Options granted under the 2006 Stock Option Plan are personal to the Eligible Person and not assignable, other than by testate succession or the laws of descent and distribution. In the event that a person ceases to be an Eligible Person, the 2006 Stock Option Plan will no longer be available to such person. The grant of Options does not confer any right upon an Eligible Person to continue employment or to continue to provide services to Fortis.

If the term of an Option granted pursuant to the 2006 Stock Option Plan, held by an Eligible Person, expires during a blackout period (being a period during which the Eligible Person is prohibited from trading in the securities of Fortis pursuant to securities regulatory requirements or then applicable written policies), then the term of such Option, or unexercised portion thereof, shall be extended and shall expire 10 business days after the end of the blackout period.

Options granted pursuant to the 2006 Stock Option Plan have a maximum term of seven years from the date of grant. Options will vest over a period of not less than four years from the date of grant. Options granted pursuant to the 2006 Stock Option Plan will expire no later than three years after the termination, death or retirement of an Eligible Person. Loans to Eligible Persons for the exercise of Options are prohibited by the 2006 Stock Option Plan.

The 2006 Stock Option Plan provides that, notwithstanding any provision in the plan to the contrary, no Option may be amended to reduce the Option Price below the Option Price as of the date the Option is granted.

Commencing 1 January 2009, where an executive has been granted options for five or more prior years, the maximum number of shares for which options will be granted in any calendar year will not exceed the minimum number of shares held by the executive since the beginning of the previous calendar year.

2. *Performance Share Units*

The CEO is granted PSUs in addition to stock options. Each PSU represents a unit with an underlying value equivalent to the value of a Common Share. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of Common Shares. The PSU maturation period is three years, at which time a cash payment is made to the CEO after evaluation by the Human Resources Committee of the achievement of predetermined personal and/or corporate objectives and total return performance. The payment is based on the number of PSUs outstanding multiplied by the volume weighted average trading price of the Common Shares determined by dividing the total value of the Common Shares traded on the TSX during the last five trading days immediately preceding the date of grant by the total volume of the Common Shares traded on the TSX during such five trading days.

These units provide an additional incentive for the CEO to achieve specific mid- to long-term corporate performance goals and provide a disincentive to inappropriate actions impacting short-term performance metrics. If these goals are not achieved, then the CEO may ultimately receive less compensation than the approximate median of the CEO reference group of companies.

3. *Other Security Based Arrangements*

In addition to the two LTI plans discussed above, Fortis maintains the 2002 Stock Option Plan from which awards are no longer granted. Upon approval of the 2006 Stock Option Plan of Fortis by the Shareholders on 2 May 2006, stock option grants ceased to be made under the 2002 Stock Option Plan; however, unexercised options remain outstanding under the 2002 Stock Option Plan. The 2002 Stock Option Plan will terminate when all of the outstanding options are exercised or expire, on or before 28 February 2016.

Fortis is requesting that its shareholders vote in favour of the 2012 Stock Option Plan as more particularly described on page 12 of this Circular.

Full-Career Performance

Employee Share Purchase Plan

The optional ESPP was approved on 7 December 1987. In May 2010, the Board adopted an ESPP that satisfies share delivery obligations from purchases on the open market rather than issuance from treasury. This new feature of the ESPP became operational at the 1 September 2010 share purchase date. The market purchase ESPP is transparent to the participant and employs the same terms as the original ESPP. Details of this plan are discussed below.

Employees of Fortis and its subsidiaries are encouraged to share in the financial performance of Fortis by investing in Common Shares as facilitated through the ESPP for all permanent employees and stock option plans for senior management. The ESPP is available to permanent employees and persons who retire upon becoming eligible to do so under the terms of their employer's pension plan and who were participants in the ESPP at the time of their retirement ("Retirees"). As at 31 December 2011, the total number of Common Shares outstanding under the ESPP was 2,300,084. This represents 1.2% of the total number of issued and outstanding Common Shares.

Permanent employees participating in the ESPP may inform their employer that they wish to participate in the ESPP by completing an employee participation form. The proposed investment in Common Shares cannot be less than \$100 and cannot exceed, in the aggregate, in any calendar year, 10% of the permanent employee's annual base salary for the year. A Retiree's participation will be limited to the reinvestment of dividends on Common Shares recorded for participation in the ESPP. The benefits of the ESPP are not assignable.

Since 1 September 2010, all of the shares are purchased from the open market. The permanent employee's contribution represents 90% of the purchase price of the Common Shares under the ESPP and the permanent employee's employer contributes the remaining 10%. Shares are acquired in the open market by Computershare Trust Company of Canada, the trustee under the ESPP.

Where payments received by the employer from the permanent employee are less than the amounts directed to be invested, the Employer will make a loan ("Employee Loan") to the permanent employee for the amount of the balance. The permanent employee must repay any Employee Loan amount, without interest, over a term not exceeding 52 weeks immediately following the date of the loan. The full amount of an Employee Loan outstanding becomes due and payable immediately upon termination of employment, when any compensation owing to the permanent employee will be applied to repayment of the Employee Loan.

All Common Shares purchased and retained under the ESPP are registered in the name of Computershare Trust Company of Canada, as trustee, for the benefit of the permanent employees participating in the plan. Certificates for Common Shares purchased through an Employee Loan will not be provided to the permanent employee until such Employee Loan is repaid in full. Otherwise, certificates for Common Shares held by a permanent employee under the ESPP are provided upon written request to Fortis or upon termination of the permanent employee's participation in the ESPP.

Fortis is requesting that its shareholders vote in favour of the proposed amendments to the ESPP, which seeks to resume treasury issuance of shares awarded under the Plan. Please refer to page 18 for more details of the 2012 Employee Share Purchase Plan proposal.

RETIREMENT ARRANGEMENT

Mr. Marshall's participation in a Defined Benefit Registered Pension Plan ("DB RPP") and the Defined Benefit Supplemental Plan ("DB SERP") (collectively the "DB Plans") ceased with respect to contribution and accrual of benefit on 31 December 2006. Commencing 1 January 2007, Fortis contributes an amount, which is matched by Mr. Marshall, up to the maximum RRSP contribution limit, as allowed by the *Income Tax Act* (Canada), to a self-directed RRSP for Mr. Marshall. Commencing 1 January 2007, he also participates in the non-contributory Defined Contribution Supplemental Employee Retirement Plan ("DC SERP").

Defined Benefit Plans

In accordance with the terms of Mr. Marshall's employment agreement entered at the time he was appointed CEO in April 1996, the combined result of the DB Plans is to entitle Mr. Marshall to receive an annual payment following retirement equal to 70% of his highest three-year average annual base salary and annual cash incentive determined as at 31 December 2006. The annual benefit that will be paid to Mr. Marshall upon retirement under the DB Plans is subject to actuarial adjustment resulting from delayed commencement of Mr. Marshall's retirement after 1 January 2007. The annual pension that would have been paid as of 31 December 2011 to Mr. Marshall, if his retirement had commenced on 1 January 2012, was \$1,241,367 for life with 50% payable to his surviving spouse.

All payments to Mr. Marshall under the DB SERP will be paid from Fortis operating funds and are not secured through a trust fund. The DB SERP operates as a supplement to the Corporation's regular defined benefit pension plan which provides a pension up to the maximum limits allowed by the applicable pension rules of the *Income Tax Act* (Canada).

Other Retirement Arrangements

Messrs. Perry and McCabe do not participate in a defined benefit pension plan and Mr. Marshall's participation in the DB Plans ceased as at 31 December 2006, other than in regards to his entitlement to pension payment on retirement. Fortis contributed to self-directed RRSPs for Messrs. Marshall, Perry and McCabe, which contribution was matched by them up to the maximum RRSP contribution limit, as allowed by the *Income Tax Act* (Canada).

Defined Contribution Supplemental Employee Retirement Plan

Messrs. Marshall, Perry and McCabe participate in the DC SERP. The DC SERP provides for the accrual by Fortis of an amount equal to 13% of the annual base salary and annual cash incentive of the participant in excess of the allowed maximum for contribution to an RRSP, to an account which will accrue interest equal to the rate of a 10-year Government of Canada bond yield rate plus a premium of 1% to 3% dependent upon years of service. At the time of retirement, the notional amounts accumulated under the DC SERP may be paid to the participant in one lump sum or in equal payments over 15 years.

2011 EXECUTIVE COMPENSATION

Objective Setting

Following approval of the Business Plan by the Board, the CEO recommends a range of the EPS projected in the Business Plan to be used to assess corporate performance by the Human Resources Committee. Each NEO also proposes individual performance objectives that support the Business Plan. The CEO submits his individual performance objectives directly to the Human Resources Committee and reviews the individual performance objectives for the other NEOs with the Human Resources Committee. The Human Resources Committee then reviews and submits the corporate and individual performance objectives to the Board of Directors for approval.

Annual Base Salary

In accordance with the executive compensation philosophy, the Human Resources Committee adjusts annual base salaries for each NEO referenced against the market medians for the applicable comparator group(s) of Canadian commercial industrial companies.

Annual Incentive

Fortis used EPS, adjusted either upward or downward for matters beyond the reasonable control of management, to determine the corporate performance component of annual incentive payouts for 2011.

The individual performance metrics established for 2011 were intended to drive personal development and performance, outside of corporate goals.

CEO Individual Performance Metrics

In addition to performance against his position description, individual metrics for the CEO included strategically positioning Fortis and its subsidiaries for continued profitable growth by:

- Progress on Belize regulatory matters;
- Progress on the Turks & Caicos rate review;
- Weathering the world economic crisis and recessionary economic environment; and
- Realizing opportunities for growth.

CFO Individual Performance Metrics

In addition to performance against his position description, individual metrics for the CFO included:

- Managing financial aspects of acquisition or divestiture investigations and transactions for Fortis and its subsidiaries;
- Implementation of migration to US GAAP financial reporting; and
- Implementation of enterprise risk management.

General Counsel Individual Performance Metrics

In addition to performance against his position description, individual metrics for the General Counsel included managing legal aspects of acquisition or divestiture investigations and transactions for Fortis and its subsidiaries.

In respect of identification and analysis of the impact of matters beyond the reasonable control of management, the Human Resources Committee, with the assistance of the Audit Committee, performed an assessment of the performance of the Corporation and individual NEOs against the predetermined corporate and individual performance metrics to develop its recommendation to the Board for the 2011 annual incentive payments. The assessment of the Human Resources Committee was as follows:

President & CEO:

Type of Metric	Actual Performance			Resultant Payout		
	Metric	Target	Actual % of Target	Actual % of Target Multiple	STI Weighting %	% Payout
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	80	120
Individual Metrics	Various	Full Achievement		130	20	26
Total					100	146

VP, Finance & CFO:

Type of Metric	Actual Performance			Resultant Payout		
	Metric	Target	Actual % of Target	Actual % of Target Multiple	STI Weighting %	% Payout
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	70	105
Individual Metrics	Various	Full Achievement		135	30	41
Total					100	146

VP, General Counsel:

	Actual Performance			Resultant Payout		
Type of Metric	Metric	Target	Actual % of Target	Actual % of Target Multiple	STI Weighting %	% Payout
Corporate Metrics	EPS	Business Plan EPS (adjusted)	107	150	50	75
Individual Metrics	Various	Full Achievement		135	50	68
Total					100	143

Based on performance against corporate and individual objectives mentioned above and in exercise of the discretion vested in the Board largely related to acquisition investigation, including the attempted acquisition of Central Vermont Public Service Corporation and the collection of the US\$19.5 million termination fee, successful execution of financing initiatives and response to the Canadian implementation of IFRS, the following annual incentive payments were awarded:

	2011 Actual Annual Incentive Payment (\$)	Percentage of Target Payout (%)
H. Stanley Marshall	1,625,000	170
Barry V. Perry	400,000	170
Ronald W. McCabe	170,000	167

Long-term Incentives**Stock Options**

The number of options granted to NEOs is based upon each NEO's annual base salary. Under guidelines approved by the Board, each executive may receive one option grant per year.

In order to maintain its target compensation level at approximately the median level and to strengthen the portion of deferred compensation provided to the NEOs, selective adjustments were made to the option grant levels for the CEO and CFO in 2011. Stock option grants for both the CEO and CFO have been increased from 300% to 400% of annual base salary. Based on the Black-Scholes Option Pricing Model, this increase of options is equivalent to an economic value of 13.87% of their respective base salaries. The stock option grant for the General Counsel remained unchanged at 150% of annual base salary. In terms of the number of options, these percentages resulted in 136,572, 57,056 and 11,608 stock options being granted to the CEO, CFO and General Counsel, respectively.

Options were granted at an exercise price of \$32.95. Options granted in 2011 have a maximum term of seven years from the date of grant and the Options will vest over a period of not less than four years from the date of grant. No options will vest immediately upon being granted. Options will expire no later than three years after the termination, death or retirement of the NEO.

There were no amendments, replacements, or any modifications to option grants during 2011. However, a total of 29,359 options were cancelled during 2011 by reason of termination of employment of the optionee.

Performance Share Units

2011 – 2014 PSU Grant

In 2011 the CEO was granted 45,000 PSUs, valued at a total of \$1,494,000 at date of issue. The payout criteria established by the Human Resources Committee, in respect of the 2011 grant, were directed at:

1. Successfully optimizing the impacts of national and global factors on the Corporation over the next three years and taking advantage of growth opportunities;
2. Successfully consolidating the position of the Corporation's BC utilities;
3. Achieving reasonable progress on the Waneta Expansion Project against budget and schedule; and
4. Maintenance of reasonably successful results from Fortis as a whole as measured by total return equal to, or better than, the return reported for the S&P/TSX Utilities Index over the three-year period commencing 1 March 2011.

2008 – 2011 PSU Grant

The Human Resources Committee considered the PSU award made in 2008 at its meeting on 1 March 2011. The Human Resources Committee reviewed performance over the three-year period from 2008 through 2011 of the Corporation and the CEO against the pre-defined payout criteria of:

1. The integration of Terasen Inc. and Fortis Turks & Caicos into the Fortis organization in a reasonably successful manner; and
2. Maintenance of reasonably successful results from Fortis as a whole as measured by total return equal to, or better than, the return reported for the S&P/TSX Capped Utilities Index over the three-year period commencing 1 March 2008.

The Human Resources Committee concluded that Mr. Marshall fully achieved the performance criteria and authorized payment pursuant to the plan in the amount of \$1,227,817.

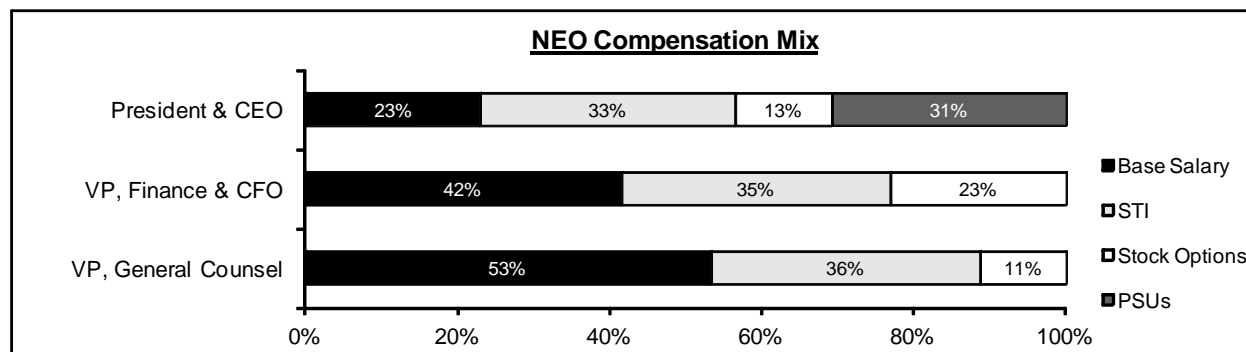
2011 Total Direct Compensation Components

(Base Salary + Annual Incentive + Stock Options + PSUs)

The Fortis approach to total direct compensation is to provide a comprehensive compensation package that links to overall corporate strategy by rewarding individual performance based on Fortis corporate performance. A significant portion of total direct compensation is "at risk" – meaning it will vary annually based on corporate and individual performance, with the remainder derived from salary. In 2011 the portion of total direct compensation at risk for the CEO, CFO and General Counsel was approximately 77%, 58% and 47% respectively. This level of "at risk" compensation encourages the alignment of executive and shareholder interests. The Corporation's executive compensation regime is structured in a manner that emphasizes the greater ability of the CEO to affect corporate performance by

making a greater portion of the CEO's compensation dependent upon corporate performance. A breakdown of the components of 2011 Total Direct Compensation for each NEO is shown below.

NEO	Base Salary (\$)	Annual Incentive (\$)	Stock Options (\$)	PSUs (\$)	Total at-Risk
President & CEO	1,125,000	1,625,000	624,134	1,494,000	77%
VP, Finance & CFO	470,000	400,000	260,746	-	58%
VP, General Counsel	255,000	170,000	53,049	-	47%



Retirement Plans

In 2011 the Corporation contributed to self-directed RRSPs for Messrs. Marshall, Perry and McCabe, which contributions were matched by them up to the maximum RRSP contribution limit of \$22,450, as allowed by the *Income Tax Act* (Canada).

Additional amounts were accrued into DC SERP accounts equal to 13% of the annual base salary and annual cash incentive above the threshold required to meet the maximum RRSP contribution limit for each NEO in the amounts of \$274,600, \$81,680 and \$24,480 for Messrs. Marshall, Perry and McCabe, respectively. A detailed breakdown of retirement plans for each NEO is provided in the *Retirement Plan Tables* on page 61 of this Circular.

SHARE OWNERSHIP GUIDELINES

The Board adopted a policy in 2003 that requires the CEO to acquire Common Shares to a value equivalent to three times annual base salary within three years of being appointed to the position of CEO. The requirement was increased as of 1 January 2012 to four times annual base salary within five years of being appointed to the position of CEO. Mr. Marshall's ownership of Common Shares exceeds this requirement.

Instead of prescribing minimum holdings for the other NEOs, the Board elected to encourage share ownership by participants in the 2006 Stock Option Plan by adopting a guideline in the 2007 Executive Compensation Policy that would limit annual option grants to any NEO who has been granted options for at least five years to the lesser of the number of options prescribed under the Executive Compensation Policy related to the particular position rating of the individual and the minimum number of shares actually owned by the individual since the beginning of the previous calendar year. This guideline became effective with the option grants made on 11 March 2009. The current share ownership of the NEOs compared to a multiple of their 2011 annual base salary is as follows:

Common Share Ownership of Name Executive Officers

Name	Shares Owned at 19 March 2012 ⁽¹⁾ (#)	Value of Shares ⁽²⁾ (\$)	Common Share Value as a Multiple of 2011 Base Salary (x)
H. STANLEY MARSHALL	438,785	14,256,125	12.67
BARRY V. PERRY	112,340	3,649,927	7.77
RONALD W. McCABE	74,879	2,432,819	9.54

⁽¹⁾ Represents both direct and indirect ownership of Common Shares, as reported by each NEO

⁽²⁾ Calculated using the closing price of Common Shares at 19 March 2012 of \$32.49.

Note on Trading Restrictions

Fortis prohibits employees, officers and directors from entering into short sales, calls and puts of any of its securities. Directors and officers of Fortis and its subsidiaries are also required to pre-clear any buying or selling of Fortis securities, including stock options, with the CFO or General Counsel.

COMPENSATION CONSULTANT

Fortis currently engages Hay Group as its primary compensation consultant. As previously mentioned, Hay Group also provides Fortis subsidiaries with job evaluation services and market compensation data from its national database. The engagement with Hay Group at the subsidiary level is solely subject to the direction and decision of the respective subsidiary boards of directors, which operate autonomously from the Corporation. The Human Resources Committee acknowledges this working structure which has been established for years and, as such, requires no pre-approval so long as such services are consistent with the compensation philosophy of the Corporation.

Fortis also engages Mercer to consult on certain pension and compensation issues and to perform certain administrative and actuarial functions related to the Corporation's pension programs.

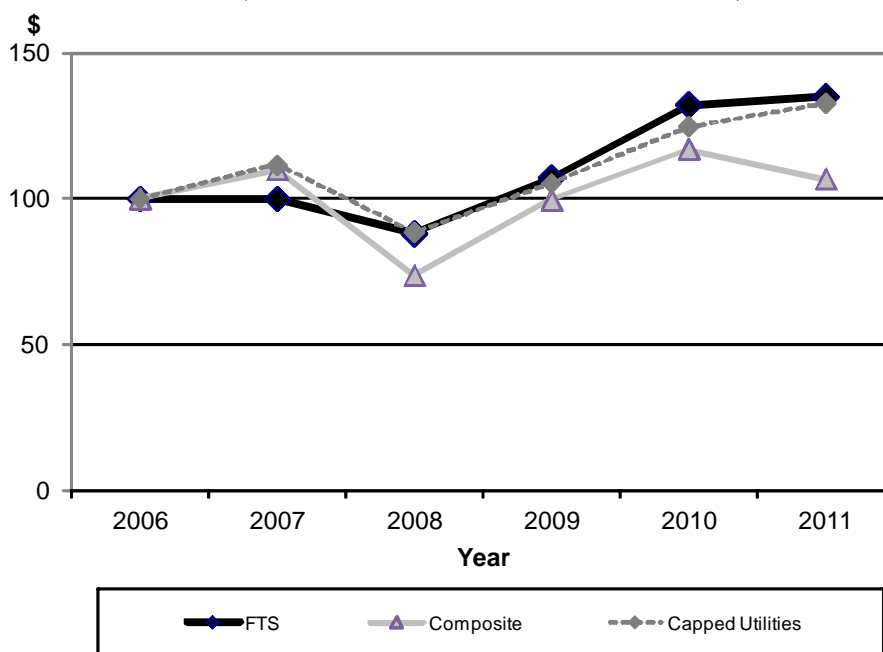
Type of Fee by Consultant	2011 Consultant Fees (\$)	Percentage of Total 2011 Consulting Fees (%)	2010 Consultant Fees (\$)
Hay Group - Executive Compensation Consulting ⁽¹⁾	102,998	33	79,960
All other Fees			
Hay Group - (Job evaluation, market compensation data)	13,113	4	-
Mercer - Pension Consulting and Actuarial Services	195,399	63	217,863
Total	311,510	100	297,823

⁽¹⁾ Mandate given to Hay Group in 2011 was for the following work: compensation analysis for executive positions, estimated salary increases, incentive valuation and Compensation Discussion and Analysis disclosure consulting.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Fortis Common Shares on 31 December 2006 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Capped Utilities Index for the five most recently completed financial years. Dividends declared on the Common Shares are assumed to be reinvested at the closing share price on each dividend payment date. The S&P/TSX Composite Index and S&P/TSX Capped Utilities Index are total return indices and include reinvested dividends.

Five-Year Cumulative Total Return on \$100 Investment
Fortis Inc. Common Shares, S&P/TSX Composite Index and S&P/TSX Capped Utilities Index
(31 December 2006 – 31 December 2011)



	2006	2007	2008	2009	2010	2011
Fortis Inc. Common Shares (\$)	100	100	88	107	132	135
S&P/TSX Composite Index (\$)	100	110	74	99	117	107
S&P/TSX Capped Utilities Index (\$)	100	111	88	105	125	133
Increase in total shareholder return from prior year - Fortis Inc. Common Shares (%)	-	-	(12.0)	21.6	23.4	2.3

The Corporation's executive compensation programs are designed to reward NEOs at approximately the median practice of Canadian commercial industrial companies. Total Shareholder Return ("TSR") is only one of the factors considered by the Human Resources Committee during its deliberation over both the short-term and long-term incentive components of compensation. Therefore, a direct correlation between the performance graph and executive compensation levels over any given period is not to be expected.

As demonstrated in the graph above, Fortis TSR has increased 35% since 31 December 2006. The Corporation's cumulative performance has exceeded the two comparator indices over the five most recently completed financial years. During this time, Fortis total assets increased by 152% from \$5.4 billion as at 31 December 2006 to \$13.6 billion as at 31 December 2011. This increase was largely influenced by the transformational acquisition of FortisBC Energy Inc. (formerly Terasen Inc.) for

\$3.7 billion in May 2007. Earnings to common shareholders increased by 116% from \$147 million in 2006 to \$318 million in 2011. The increase in NEO Total Compensation for 2011 when compared to 2006 was 43.7%. NEO Total Compensation, as a percentage of Fortis earnings, decreased from 3.63% in 2006 to 2.41% in 2011.

COMPENSATION TABLES

Compensation of Named Executive Officers

The following table sets forth information concerning the annual and long-term compensation earned for services rendered during the last financial year by the CEO of Fortis and each of the other NEOs as defined in National Instrument 51-102F6 – *Statement of Executive Compensation*.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards ⁽²⁾ (\$)	Annual Incentive Plans ⁽³⁾ (\$)	Pension Value ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total Compensation (\$)
H. STANLEY MARSHALL President and CEO	2011	1,125,000	1,494,000	624,134	1,625,000	698,518	201,067	5,767,719
	2010	1,000,000	1,407,600	483,565	1,160,000	611,444	242,859	4,905,468
	2009	1,000,000	764,400	551,827	1,184,000	542,074	259,954	4,302,255
BARRY V. PERRY Vice President, Finance and CFO	2011	470,000	-	260,746	400,000	81,680	155,119	1,367,545
	2010	450,000	-	217,607	331,000	79,498	147,703	1,225,808
	2009	450,000	-	248,329	330,750	73,250	157,235	1,259,564
RONALD W. McCABE Vice President, General Counsel and Corporate Secretary	2011	255,000	-	53,049	170,000	24,480	40,893	543,422
	2010	240,000	-	58,036	106,000	22,772	37,565	464,373
	2009	240,000	-	66,223	104,400	18,962	35,724	465,309

⁽¹⁾ Represents the PSUs awarded in 2009, 2010 and 2011 – see 2011 Executive Compensation – Performance Share Units on page 54 of this Circular. The value of the PSUs awarded was determined using the underlying value of Common Shares as of the grant date. The value used was actuarially determined to be \$19.11, \$23.46 and \$33.20 per PSU for 2009, 2010 and 2011, respectively. Prior to 2011, the value used to determine the number of PSU's issued was based on 90% of the estimated Commercial Industrial Median Target for CEO compensation which included salary, STI payout and LTI. Beginning in 2011, the value of the PSU was based on providing 100% of the estimated Expanded Commercial Industrial Median Target for CEO compensation. For accounting purposes, the awards for 2009, 2010 and 2011 are measured at fair value which is determined as the weighted average price of Common Shares traded on the TSX for the five trading days immediately preceding the date of the grant. This value was determined to be \$22.29, \$27.39 and \$33.04 per PSU for 2009, 2010 and 2011, respectively.

⁽²⁾ Represents the fair value of stock options to acquire Common Shares. The fair values of \$4.10, \$4.41 and \$4.57 per option were determined at the date of grant using the Black-Scholes Option Pricing Model in 2009, 2010 and 2011, respectively. The key assumptions used to determine the stock option value include: a weighted average expected 4.5-year maturity period, which is based on the vesting policy under the current stock option plan; dividend yield, which is based on the average dividends paid/average share prices over the historical maturity period; interest rate, which is the Government of Canada bond yield to match the maturity period; and, volatility, which is the average share price over the historical maturity period.

⁽³⁾ Represents amounts earned under the Corporation's annual incentive program in the form of cash bonus related to the 2009, 2010 and 2011 financial years.

⁽⁴⁾ The amounts reported include the compensatory change in the DC SERP and, in the case of the CEO, the compensatory change in DB pension plan benefits. Amounts reported for 2009 and 2010 were restated to reflect current year's presentation.

⁽⁵⁾ Includes the dollar value of insurance premiums paid by Fortis with respect to term life and disability insurance; imputed interest benefits of loans provided to NEOs in respect of the acquisition of Common Shares in accordance with the ESPP and, for 2008 and 2009, in respect of income taxes arising from the exercise of stock options; vehicle benefits; share discount benefits; employer contributions to the self-directed RRSP of the NEO; and amounts paid by subsidiaries of Fortis as directors' fees to Messrs. Marshall and Perry in 2009 (\$186,135 and \$94,500, respectively), in 2010 (\$175,038 and \$110,060 respectively) and 2011 (\$128,575 and \$113,100, respectively). No amounts are reported in respect of perquisites since such benefits do not exceed either \$50,000 or more than 10% of an NEO's total salary.

Incentive Plan Awards

The following tables set forth details of all LTI Plan awards as at 31 December 2011. The LTI Plans are described in the section of the *Report on Executive Compensation* commencing on page 38 of this Circular.

Outstanding Option-Based and Share-Based Awards Table

Name	Year Option Granted	Option Based Awards				Share Based Awards		
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
H. STANLEY MARSHALL	2011	136,572	32.950	2 Mar 2018	-	45,000	1,501,650	-
	2010	109,652	27.360	1 Mar 2017	164,752	60,000	2,002,200	-
	2009	134,592	22.290	11 Mar 2016	745,640	40,000	1,334,800	-
	2008	92,324	28.270	26 Feb 2015	353,139	-	-	-
	2007	77,156	28.190	7 May 2014	399,668	-	-	-
	2006	73,561	22.940	28 Feb 2016	767,241	-	-	-
	2005	88,292	18.405	1 Mar 2015	1,321,290	-	-	-
	2004	101,440	15.280	10 Mar 2014	1,835,050	-	-	-
	2003	52,694	12.810	13 Mar 2013	1,083,389	-	-	-
Total		866,283			6,670,169	145,000	4,838,650	-
BARRY V. PERRY	2011	57,056	32.950	2 Mar 2018	-	-	-	-
	2010	49,344	27.360	1 Mar 2017	74,139	-	-	-
	2009	60,568	22.290	11 Mar 2016	335,547	-	-	-
	2008	42,448	28.270	26 Feb 2015	162,364	-	-	-
	2007	33,524	28.190	7 May 2014	173,654	-	-	-
	2006	24,521	22.940	28 Feb 2016	255,754	-	-	-
Total		267,461			1,001,458	-	-	-
RONALD W. McCABE	2011	11,608	32.950	2 Mar 2018	-	-	-	-
	2010	13,160	27.360	1 Mar 2017	19,773	-	-	-
	2009	16,152	22.290	11 Mar 2016	89,482	-	-	-
	2008	12,204	28.270	26 Feb 2015	46,680	-	-	-
	2007	11,440	28.190	7 May 2014	59,259	-	-	-
	2006	13,535	22.940	28 Feb 2016	141,170	-	-	-
	2005	16,300	18.405	1 Mar 2015	243,930	-	-	-
	2004	4,663	15.280	10 Mar 2014	84,354	-	-	-
Total		99,062			684,648	-	-	-

⁽¹⁾ The value of unexercised in-the-money options as at 31 December 2011 is the difference between the option exercise price and the closing price of Common Shares as at 31 December 2011 on the TSX (\$33.37) applied to vested options. Where the exercise price is greater than the closing price, no value is assigned to the vested options.

⁽²⁾ Market or payout value of share-based awards that have not vested is the payout value of outstanding PSUs based on the closing price of Common Shares on the TSX as at 31 December 2011 of \$33.37.

Incentive Plan Awards - Value Vested or Earned - 2011

Name	Option-based awards - Value vested during the year ⁽¹⁾ (\$)	Share-based awards - Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation - Value earned during the year ⁽³⁾ (\$)
H. STANLEY MARSHALL	676,246	1,227,817	1,625,000
BARRY V. PERRY	303,994	-	400,000
RONALD W. McCABE	84,886	-	170,000

⁽¹⁾ Represents the aggregate value that would have been realized if options that vested during the year had been exercised on the vesting date. The value is calculated as the difference between the closing price of the Common Shares on the TSX on the vesting date and the grant price of the respective grant.

⁽²⁾ Represents the value of PSUs that were realized and paid in 2011. No payments were deferred in 2011.

⁽³⁾ Represents the annual incentive earned for 2011. See Summary Compensation Table on page 58 of this Circular.

Equity Compensation Plan Information as at 31 December 2011

Plan Category	Number of securities to be issued upon exercise of outstanding options (#)	Weighted-average exercise price of outstanding options (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding options issued and outstanding) (#)
Equity compensation plans approved by security holders	4,709,229	25.81	539,007

Stock Options Outstanding

Option Plan	Options Outstanding 31 December 2011 (#)	Options Outstanding 19 March 2012 ⁽¹⁾ (#)	% of Common Shares Issued and Outstanding	
			31 December 2011	19 March 2012
2006 Stock Option Plan	3,719,519	3,666,481	1.97	1.94
2002 Stock Option Plan	989,710	986,671	0.52	0.52
Total	4,709,229	4,653,152	2.49	2.46

⁽¹⁾ Shares remaining in reserve for options to be issued under the Fortis stock option plans are limited to 574,638 Common Shares, which represents 0.30% of the total number of issued and outstanding Common Shares and are all issuable pursuant to the 2006 Stock Option Plan. In aggregate, options granted and outstanding, combined with shares remaining in reserve for issuance of stock options pursuant to Fortis stock options plans are limited to 5,227,790 Common Shares, which represents 2.76% of the total number of issued and outstanding Common Shares.

Retirement Plan Tables

The following tables set out the estimated annual pension for the NEOs from the defined benefit and the defined contribution pension arrangements.

Defined Benefit Plans Table

Name	Number of years of credited service (#)	Annual Benefits Payable		Accrued obligation at start of year (\$)	Compensatory charge (\$)	Non-compensatory charge ⁽⁴⁾ (\$)	Accrued obligation at year-end (\$)
		At year-end 2011 (\$)	At age 65 (\$)				
H. STANLEY MARSHALL	35 ⁽¹⁾	1,241,367 ⁽²⁾	1,241,367 ⁽³⁾	13,649,228	423,918	1,769,070	15,842,216

⁽¹⁾ Mr. Marshall's participation in defined benefit pension plans ceased with respect to contribution and accrual of benefits on 31 December 2006. The annual pension to which he was entitled, had he retired on 1 January 2007, was \$910,000. He has received credit for 35 years of Credited Service at 31 December 2006 while his actual number of years of service with the Corporation as of 31 December 2006 was 27.07. An additional 7.93 years of Credited Service were granted, as of 31 December 2006, in accordance with the terms of the employment contract entered upon his appointment as CEO in 1996. His actual number of years of service at 31 December 2011 was 32.07. Since Mr. Marshall's entitlement to pension benefit under this plan was fixed as at 31 December 2006, there has been no augmentation to such benefit for any additional service after 31 December 2006.

⁽²⁾ Mr. Marshall's pension entitlement under this plan was fixed as at 31 December 2006 and is subject to actuarial adjustment to the time of actual retirement and commencement of pension payments. This figure reflects the actuarially adjusted value of the pension benefit earned and payable as at 31 December 2006, assuming commencement of payment on 1 January 2012.

⁽³⁾ The annual benefits payable at age 65 will be the actuarial equivalent of a \$910,000 annual pension payment, earned as at 31 December 2006, as adjusted to actual commencement of payment.

⁽⁴⁾ Reflects the impact on the obligation of the change in the discount rate as at the measurement date. The discount rate used at 31 December 2011 was 5.25% compared to 5.75% as at 31 December 2010.

Defined Contribution Plans Table⁽¹⁾

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Non-Compensatory (\$)	Accumulated value at year end (\$)
H. STANLEY MARSHALL	1,039,420	274,600	68,867	1,382,887
BARRY V. PERRY	559,544	81,680	21,766	662,990
RONALD W. McCABE	290,481	24,480	13,932	328,893

⁽¹⁾ All payments to be made under the DC SERP will be paid from the operating funds of the Corporation as the DC SERP is not secured through a trust fund or letter of credit.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation has entered into agreements with each of Messrs. Marshall, Perry and McCabe which provide, in effect, that in the event the employment of any such individual is terminated by the Corporation, for other than just cause, the Corporation shall pay to such individual an amount equal to three times that individual's then current annual base salary. In addition, the terms of the employment contract between the Corporation and Mr. Marshall provide that he may elect to terminate his service under the agreement at any time within two years of a defined change of control of the Corporation. In such circumstances, the Corporation shall pay to Mr. Marshall an amount equal to three times his then current annual base salary. If such agreements had become operative as at 31 December 2011, the amounts payable by the Corporation thereunder to each of Messrs. Marshall, Perry and McCabe would have been \$3,375,000, \$1,410,000 and \$765,000, respectively.

The 2006 Stock Option Plan provides for an immediate vesting of options granted thereunder upon the happening of a defined change of control event. If such an event had occurred as at 31 December 2011, the gross amounts potentially realizable by each of Messrs. Marshall, Perry and McCabe upon the exercise of outstanding options that have not vested would have been \$1,414,969, \$636,050 and \$164,361, respectively.

The PSUP provides that payments authorized by the Human Resources Committee will be made whether or not the CEO is an employee of the Corporation. There are no specific provisions related to a change of control event. Since the measurement period for payments pursuant to the PSUP is three years, the date of termination of employment will be a relevant factor to be considered by the Human Resources Committee when deciding whether the performance measures have been satisfied.

The following table outlines key severance and change-of-control provisions:

TERMINATION AND CHANGE OF CONTROL BENEFITS					
	Voluntary Resignation	Retirement (Early or Normal)	Termination With Cause	Termination Without Cause	Change in Control (CEO Only)
Annual Salary	Annual Salary pro-rated from the date of resignation	Annual Salary pro-rated from the date of resignation	Ceases immediately	Three times Annual Salary	Three times Annual Salary
Annual Bonus	Bonus awarded on a pro-rated basis from the date of resignation	Bonus awarded on a pro-rated basis from the date of resignation	Forfeited	Bonus awarded on a pro-rated basis from the date of termination	Bonus awarded on a pro-rated basis
Stock Options	All unexercised options expire after 90 days from resignation date	All unvested options continue to vest as per normal schedule for two years after retirement; all remaining unvested options after the second year vest immediately	All vested and unvested options immediately expire and are forfeited on the termination date	All unexercised options expire after 90 days from termination date	All unvested options vest immediately and become exercisable
Performance Share Units	All unvested PSUs vest immediately	All unvested PSUs vest immediately	Forfeited	All unvested PSUs vest immediately	Continue to vest as per normal schedule
Retirement Benefits	Entitled to accrued pension	Entitled to accrued pension and retiree health benefits	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension
Perquisites	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately

INDEBTEDNESS OF EXECUTIVE OFFICERS, DIRECTORS AND EMPLOYEES

The following table sets forth details of the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees outstanding as at 19 March 2012 to Fortis and its subsidiaries.

Aggregate Indebtedness		
Purpose	To Fortis and its Subsidiaries (\$)	To Another Entity (\$)
Share Purchases	4,103,825	NIL
Other	2,568,743	NIL

Optionees, who are employees of Fortis or its subsidiaries, are entitled to receive loans for the full value of Common Shares purchased on the exercise of options under the 2002 Stock Option Plan; however, loans are no longer permitted under the 2006 Stock Option Plan. Optionees availing of such financing must pledge the Common Shares acquired with loans to Fortis, or applicable subsidiary, as security and pay the amount of any dividends received on the related shares as an interest charge. Share option loans must be repaid on the earlier of sale of the pledged Common Shares, one year following cessation of employment or 10 years. ESPP loans are interest free and are repayable within one year through regular payroll deductions.

The following table sets forth details of the indebtedness of the Directors and Executive Officers of Fortis under securities purchase programs as at 19 March 2012. There is no indebtedness to Fortis by executive officers, directors, employees or former executive officers, directors and employees of Fortis for any purposes other than indebtedness under securities purchase programs.

Indebtedness of Directors and Executive Officers Under Securities Purchase Programs

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2011 (\$)	Amount Outstanding as at 19 March 2012 (\$)	Financially Assisted Securities Purchased During 2011 (#)	Security for Indebtedness
H. STANLEY MARSHALL President and CEO	Fortis Inc. As Lender	-	-	-	-
BARRY V. PERRY Vice President, Finance and CFO	Fortis Inc. As Lender	4,307 ⁽¹⁾	-	-	-
RONALD W. McCABE Vice President, General Counsel and Corporate Secretary	Fortis Inc. As Lender	6,000 ⁽²⁾	5,539 ⁽³⁾	201	The Securities Purchased

⁽¹⁾ The amount represents Mr. Perry's participation in the ESPP during 2010.

⁽²⁾ The amount represents Mr. McCabe's participation in the ESPP during 2011.

⁽³⁾ The amount represents Mr. McCabe's participation in the ESPP during 2012.

ADDITIONAL INFORMATION

Additional information relating to Fortis is available on SEDAR at www.sedar.com. Financial information relating to Fortis is provided in its comparative financial statements and Management Discussion and Analysis for the most recently completed financial year. A copy of the Corporation's most recent consolidated financial statements, interim financial statements, management discussion and analysis and Annual Information Form, may be obtained by shareholders, without charge, on SEDAR at www.sedar.com, on the Fortis website at www.fortisinc.com, or upon request from the Secretary of Fortis at the following address:

Fortis Inc.
The Fortis Building, Suite 1201
139 Water Street
St. John's, NL
A1B 3T2

CONTACTING THE BOARD OF DIRECTORS

Shareholders, employees and other interested parties may communicate directly with the Board of Directors through the Chair of the Board by writing to:

Chair of the Board of Directors
Fortis Inc.
The Fortis Building, Suite 1201
139 Water Street
St. John's, NL
A1B 3T2

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board of Directors of Fortis.

St. John's, Newfoundland and Labrador
19 March 2012



Ronald W. McCabe
Vice President, General Counsel
and Corporate Secretary

SCHEDULE A
FORM 58-101F1

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

All page references in this Schedule A are to the Management Information Circular dated 19 March 2012.

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.								
<p>1. Board of Directors</p> <p>(a) Disclose the identity of directors who are independent.</p> <p>(b) Disclose the identity of directors who are not independent and describe the basis for that determination.</p> <p>(c) Disclose whether or not a majority of directors are independent.</p> <p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p> <p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Ten of the eleven directors proposed for nomination on pages 25 through 32 are independent in accordance with the Meaning of Independence set out in Section 1.4 of NI-52-110 – <i>Audit Committees</i>. The Board considers Ms. Goodreau and Messrs. Norris, Case, Crothers, Haughey, McCallum, McWatters, Munkley, Pavey and Rideout, to be independent. The director who the Board considers not to be independent is Mr. Marshall, who is the President and CEO of Fortis.</p> <p>All of the directorships of the nominee directors with other reporting issuers are set out on page 36 of this Circular.</p> <p>The directors regularly meet without Mr. Marshall and other management present at meetings of the Board and its committees. Private sessions during meetings conducted by telephone are held when circumstances warrant. During 2011 the directors of the Board and committees held private sessions at every meeting of the Board and each Committee. The number of meetings involving periods without Mr. Marshall and other management present during 2011 were as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Board</td> <td style="text-align: right;">6</td> </tr> <tr> <td>Audit</td> <td style="text-align: right;">7</td> </tr> <tr> <td>Governance and Nominating</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Human Resources</td> <td style="text-align: right;">3</td> </tr> </table>	Board	6	Audit	7	Governance and Nominating	2	Human Resources	3
Board	6									
Audit	7									
Governance and Nominating	2									
Human Resources	3									

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	Yes	David G. Norris was appointed Chair effective 14 December 2010. Mr. Norris is an independent director.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Yes	The attendance record of each director for Board and committee meetings during 2011 is disclosed in the tables on pages 25 through 32 of this Circular.
<p>2. Board Mandate</p> <p>Disclose the text of the board's written mandate.</p>	Yes	The text of the Board Mandate is disclosed in Schedule A-1.
<p>3. Position Descriptions</p> <p>(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p> <p>(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p>	<p>Yes</p> <p>Yes</p>	<p>The Board, with the assistance of the Governance and Nominating Committee, has developed a written position description for the Chair of the Board. There are no specific position descriptions for the chair of each committee; however, there are written mandates for each committee which delineate the responsibilities of each committee with which the chair thereof is responsible to comply.</p> <p>The Board has developed a written position description for the CEO.</p>

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
<p>4. Orientation and Continuing Education</p> <p>(a) Briefly describe what measures the board takes to orient new directors regarding:</p> <p>(i) the role of the board, its committees and its directors, and</p> <p>(ii) the nature and operation of the issuer's business.</p>	Yes	Each new recruit to the Board meets with management of Fortis and its subsidiaries for orientation information on Board operation and policies, as well as current and historical data pertaining to the operation of Fortis and an assessment of current strategic opportunities and issues facing Fortis.
<p>(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	Yes	Presentations are made to the Board as required on developments in the business and regulatory environment impacting upon Fortis and its subsidiaries. Board meetings are periodically held at the business locations of Fortis subsidiaries affording directors the opportunity to observe operations and meet employees of the operating subsidiaries. Each subsidiary CEO makes an annual presentation to the Board on matters affecting their subsidiary's operation. Fortis sponsors director attendance at appropriate educational seminars.
<p>5. Ethical Business Conduct</p> <p>(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p> <p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) describe how the board monitors compliance with its code or, if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Board has adopted a written code of business conduct and ethics for Fortis.</p> <p>The code is available on the Fortis website at www.fortisinc.com (under Corporate Governance) and on SEDAR at www.sedar.com.</p> <p>The Board, through the Audit Committee, receives reports on compliance with the code.</p>

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
<p>(iii) provide a cross reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p> <p>(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Board has not granted any waiver of the code in favour of a director or executive officer during the past 12 months and for all of 2011. Accordingly, no material change report has been required to be filed.</p> <p>The Board does not nominate for election any candidate who has an interest in any business conducted with Fortis, or its subsidiaries, and requires directors to disclose any potential conflict of interest which may develop. Directors do not undertake any consulting activities for, or receive any remuneration from, Fortis other than compensation for serving as a director.</p> <p>The Board encourages a culture of ethical conduct by appointing officers of high integrity and monitoring their performance so as to set an example for all employees.</p>
<p>6. Nomination of Directors</p> <p>(a) Describe the process by which the board identifies new candidates for board nomination.</p> <p>(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.</p> <p>(c) Describe the responsibilities, powers and operation of the nominating committee</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Governance and Nominating Committee is responsible for identifying new candidates for the Board. It annually identifies director skill and experience needs, having regard to projected retirements, and oversees a director recruitment search and nomination process leading to recommendations to the Board for consideration and recommendation for election by the shareholders. All of Fortis Canadian utility subsidiaries operate with boards composed of a majority of independent members which affords Fortis an opportunity to observe the performance and assess suitability of prospective nominees to the Board in an appropriate environment. Subsidiary boards have been the source of six of the current nominees.</p> <p>The Governance and Nominating Committee is composed of six independent directors as disclosed on page 37 of this Circular.</p> <p>Please see the section <i>Governance and Nominating Committee</i> on page 37 of this Circular.</p>

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
<p>7. Compensation</p> <p>(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.</p> <p>(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</p> <p>(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p> <p>(d) If a compensation consultant or advisor has been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Governance and Nominating Committee reviews the compensation of directors on a periodic basis in relation to published surveys and private polls of other comparable corporations and recommends adjustments thereto for adoption by the Board. The Human Resources Committee makes recommendations to the Board in respect of compensation of officers as more particularly described in the Compensation Discussion and Analysis section of this Circular. Commencing with this Meeting, the Corporation will conduct an advisory vote on its approach to executive compensation, the results of which will be considered by the Human Resources Committee.</p> <p>The Human Resources Committee acts as a compensation committee in respect of executive compensation and is composed entirely of independent directors. The Human Resources Committee makes recommendations to the Board following its review of compensation having regard to published material and consultation with appropriate consultants.</p> <p>The Human Resources Committee is responsible for monitoring the compensation practices and policies of Fortis and making recommendations to the Board with respect thereto. Administration and management of the 2006 Stock Option Plan and predecessor option plans, including the authority to grant options to employees, is the responsibility of the Human Resources Committee.</p> <p>Towers Watson ("Towers") was retained by Fortis in 2009 to assist the Governance and Nominating Committee to develop its recommendation to the Board in respect of director compensation. Fortis retains Hay Group ("HayGroup") and Mercer to advise in respect of executive compensation and pension matters. HayGroup undertakes a rating of positions within Fortis and its subsidiaries and provides reports of median compensation levels applicable to such ratings. Mercers provide consulting advice in respect of pension matters and management support to pension plan administration. Fees paid to the compensation consultants are disclosed on page 56 of this Circular.</p>

DISCLOSURE REQUIREMENT	COMPLIANCE	GOVERNANCE PROCEDURES FOR FORTIS INC.
<p>8. Other Board Committees</p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>Yes</p>	<p>The three standing committees of the Board are Audit, Governance and Nominating and Human Resources.</p>
<p>9. Assessments</p> <p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees and its individual directors are performing effectively.</p>	<p>Yes</p>	<p>The Governance and Nominating Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its committees and individual directors. It carries out this responsibility through a periodic confidential survey of each director regarding his or her views on the effectiveness of the Board and the committees, which are summarized and reported to the Committee and Chair of the Board. The review includes a section on individual issues which the Committee believes would disclose any concerns relating to an individual director.</p>

SCHEDULE A-1
BOARD MANDATE
FORTIS INC.

Mandate of the Board of Directors

The board of directors (the Board) of Fortis Inc. (Fortis) is responsible for the stewardship of Fortis. The Board will supervise the management of the business and affairs of Fortis and, in particular, will:

A. Strategic Planning and Risk Management

- 1) Adopt a strategic planning process and approve, on an annual basis, a strategic plan for Fortis which considers, among other things, the opportunities and risks of the business;
- 2) Monitor the implementation and effectiveness of the approved strategic and business plan;
- 3) Assist the CEO in identifying the principal risks of Fortis business and the implementation of appropriate systems to manage such risks;

B. Management and Human Resources

- 1) Select, appoint and evaluate the CEO, and determine the terms of the CEO's employment with Fortis;
- 2) In consultation with the CEO, appoint all officers of Fortis and determine the terms of employment, training, development and succession of senior management (including the processes for appointing, training and evaluating senior management);
- 3) To the extent feasible, satisfy itself as to the integrity of the CEO and other officers and the creation of a culture of integrity throughout Fortis;

C. Finances, Controls and Internal Systems

- 1) Review and approve all material transactions including acquisitions, divestitures, dividends, capital allocations, expenditures and other transactions which exceed threshold amounts set by the Board;
- 2) Evaluate Fortis internal controls relating to financial and management information systems;

D. Communications

- 1) Adopt a communication policy that seeks to ensure that effective communications, including statutory communication and disclosure, are established and maintained with employees, shareholders, the financial community, the media, the community at large and other security holders of Fortis;
- 2) Establish procedures to receive feedback from stakeholders of Fortis and communications to the independent directors as a group;

E. Governance

- 1) Develop Fortis approach to corporate governance issues, principles, practices and disclosure;
- 2) Establish appropriate procedures to evaluate director independence standards and allow the Board to function independently of management;
- 3) Appoint from among the directors an Audit Committee and such other committees of the Board as deemed appropriate and delegate responsibilities thereto in accordance with their mandates;
- 4) Develop and monitor policies governing the operation of subsidiaries through exercise of Fortis shareholder positions in such subsidiaries;
- 5) Develop and monitor compliance with Fortis code of conduct;
- 6) Set expectations and responsibilities of directors, including attendance at, preparation for and participation in meetings; and,
- 7) Evaluate and review the performance of the Board, each of its committees and its members.

SCHEDULE B

FORTIS INC.

BY-LAW NO. 1

A by-law relating generally to the conduct of the affairs of FORTIS INC. (the “Corporation”).

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

INTERPRETATION

1. Definitions

In this by-law and all other by-laws of the Corporation, unless the context otherwise specifies or requires:

- (a) “Act” means the *Corporations Act*, R.S.N.L. 1990, c. C-36 and the regulations thereunder, as from time to time amended, and every statute or regulation that may be substituted therefor and, in the case of such amendment or substitution, any reference in the by-laws of the Corporation shall be read as referring to the amended or substituted provisions;
- (b) “by-law” means any by-law of the Corporation from time to time in force and effect;
- (c) all terms contained in the by-laws which are defined in the Act shall have the meanings given to such terms in the Act;
- (d) words importing the singular number only shall include the plural and vice versa; words importing any gender shall include all genders; words importing persons shall include partnerships, syndicates, trusts and any other legal or business entity; and
- (e) the headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

REGISTERED OFFICE

2. The Corporation may from time to time by resolution of the directors change the address of the registered office of the Corporation within the place in the Province of Newfoundland and Labrador designated in the articles of the Corporation or such other place as permitted by the Act.

SEAL

3. The Corporation may, but need not, have a corporate seal. An instrument or agreement executed on behalf of the Corporation by a director, an officer or an agent of the Corporation is not invalid solely because the corporate seal, if any, is not affixed thereto.

DIRECTORS

4. Number

The minimum and maximum number of directors of the Corporation is set out in the articles of the Corporation. Subject to paragraph 12, the number of directors of the Corporation shall be the number of directors elected by the shareholders of the Corporation at the most recent meeting of shareholders. At least 25% of the directors (or the minimum number required by the Act, if less than 25%) shall be resident Canadians.

5. Powers

The directors shall direct the management of the business and affairs of the Corporation and may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by the Act, the articles, the by-laws, any special resolution of the Corporation or by statute expressly directed or required to be done in some other manner.

6. Duties

All directors and officers of the Corporation in exercising their powers and discharging their duties shall:

- (a) act honestly and in good faith with a view to the best interests of the Corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Every director and officer of the Corporation shall comply with the Act, the regulations thereunder and the Corporation's articles and by-laws.

7. Qualification

Every director shall be an individual 19 or more years of age and no one who is mentally incompetent and has been so found by a court in Canada or elsewhere or who has the status of a bankrupt shall be a director.

8. Election of Directors

Directors shall be elected by the shareholders of the Corporation by ordinary resolution. Whenever at any election of directors of the Corporation the number or the minimum number of directors required by the articles is not elected by reason of the lack of consent, disqualification, incapacity or death of any candidates, the directors elected at that meeting may exercise all the powers of the directors if the number of directors so elected constitutes a quorum, but such quorum of directors may not fill the resulting vacancy or vacancies.

An individual who is elected or appointed to hold office as a director is not a director and is deemed not to have been elected or appointed to hold office as a director unless:

- (a) he or she was present at the meeting when the election or appointment took place and he or she did not refuse to hold office as a director; or
- (b) he or she was not present at the meeting when the election or appointment took place and:
 - (i) he or she consented to hold office as a director in writing before the election or appointment or within 10 days after it; or
 - (ii) he or she has acted as a director pursuant to the election or appointment.

9. **Term of Office**

A director's term of office (subject to paragraph 13 below), shall be from the date of the meeting at which such director is elected or appointed until the close of the annual meeting of shareholders next following such director's election or appointment or until such director's successor is elected or appointed. If qualified, a director whose term of office has expired is eligible for re-election as a director, subject to the terms of any mandatory retirement policy adopted by the board of directors from time to time.

10. **Ceasing to Hold Office**

A director ceases to hold office if such director:

- (a) dies;
- (b) sends to the Corporation a written resignation, which shall be effective upon receipt by the Corporation, or at the time specified in the resignation, whichever is later;
- (c) is removed from office in accordance with paragraph 13 below;
- (d) at the close of the annual meeting of shareholders next following the attainment by such directors of the first to occur of:
 - (i) the age of mandatory retirement, or
 - (ii) the maximum number of years of service on the board of directors, whether or not served consecutively,

determined from time to time by the board of directors, if any;

- (e) becomes bankrupt; or
- (f) is found by a court in Canada or elsewhere to be mentally incompetent.

11. **Vacancies**

Notwithstanding any vacancy among the directors, the remaining directors may exercise all the powers of the directors so long as a quorum of the number of directors remains in office. Subject to subsections 181(1) and (3) of the Act and to the provisions (if any) of the Corporation's articles, where

there is a quorum of directors in office and a vacancy occurs, such quorum of directors may appoint a qualified person to fill such vacancy for the unexpired term of such appointee's predecessor.

12. **Appointment of Directors between Meetings**

If permitted by the Act the directors may determine the number of directors, and may, between meetings of shareholders, appoint an additional director if, after such appointment, the total number of directors would not be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders.

13. **Removal of Directors**

Subject to subsection 179(2) of the Act, the shareholders of the Corporation may by ordinary resolution at a special meeting remove any director before the expiration of such director's term of office and may, by a majority of the votes cast at the meeting, elect any person in such director's stead for the remainder of such director's term.

If a meeting of shareholders was called for the purpose of removing a director from office, the director so removed shall vacate office forthwith upon the passing of the resolution for such director's removal.

14. **Validity of Acts**

An act of a director or officer is valid notwithstanding an irregularity in their election or appointment or a defect in their qualification.

MEETINGS OF DIRECTORS

15. **Place of Meetings**

Meetings of directors and of any committee of directors may be held at any place.

16. **Calling Meetings**

A meeting of directors may be convened by the Chair of the Board (if any), the President or any director at any time and the Secretary shall upon direction of any of the foregoing convene a meeting of directors.

17. **Notice**

Notice of the time and place for the holding of any such meeting shall be sent to each director not less than 48 hours before the meeting is to be held; provided that meetings of the directors or of any committee of directors may be held at any time without formal notice if all the directors are present (except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all the absent directors have waived notice. The notice shall specify any matter referred to in subsection 189(3) of the Act that is to be dealt with at the meeting.

For the first meeting of directors to be held following the election of directors at an annual or special meeting of the shareholders or for a meeting of directors at which a director is appointed to fill a vacancy in the board, no notice of such meeting need be given to the newly elected or appointed

director or directors in order for the meeting to be duly constituted, provided a quorum of the directors is present.

18. **Waiver of Notice**

Notice of any meeting of directors or of any committee of directors or any irregularity in any meeting or in the notice thereof may be waived in any manner by any director, and such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

19. **Electronic Participation**

Where all the directors of the Corporation consent (either before, during or after the meeting), a director may participate in a meeting of directors or of any committee of directors by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a director participating in a meeting by such means shall be deemed for the purposes of the Act and the by-laws to be present at that meeting.

20. **Quorum and Voting**

A majority of the directors of the Corporation then in office shall constitute a quorum for the transaction of business at any meeting of directors. Subject to subsections 181(1), 184(4) and 191(1) of the Act, no business shall be transacted by the directors except at a meeting of directors at which a quorum is present and at which at least 25% of the directors present (or the minimum number required by the Act, if less than 25%) are resident Canadians. Questions arising at any meeting of directors shall be decided by a majority of votes. In the case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

21. **Adjournment**

Any meeting of directors or of any committee of directors may be adjourned from time to time by the chair of the meeting, with the consent of the meeting, to a fixed time and place. No notice of the time and place for the holding of the adjourned meeting need be given to any director if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who form the quorum at the adjourned meeting need not be the same directors who formed the quorum at the original meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

22. **Resolutions in Writing**

A resolution in writing, signed by all the directors entitled to vote on that resolution at a meeting of directors or committee of directors, is as valid as if it had been passed at a meeting of directors or committee of directors.

COMMITTEES OF DIRECTORS

23. General

The directors may from time to time appoint from their number one or more committees of directors, at least 25% of whose members (or the minimum number required by the Act, if less than 25%) are resident Canadians. The directors may delegate to each such committee any of the powers of the directors, except that no such committee shall have the authority to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) issue securities except in the manner and on the terms authorized by the directors;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (f) pay any commission referred to in section 75 of the Act;
- (g) approve a management proxy circular;
- (h) approve a take-over bid circular or directors' circular;
- (i) approve any annual financial statements to be placed before the shareholders of the Corporation; or
- (j) adopt, amend or repeal by-laws of the Corporation.

24. Audit Committee

If the Corporation is a distributing corporation the board of directors shall elect annually from among their number an audit committee to be composed of not fewer than three directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates.

Each member of the audit committee shall serve during the pleasure of the board of directors and, in any event, only so long as such member shall be a director. The directors may fill vacancies in the audit committee by election from among their number.

The auditor of the Corporation is entitled to receive notice of every meeting of the audit committee and, at the expense of the Corporation, to attend and be heard thereat; and, if so requested by a member of the audit committee, shall attend every meeting of the committee held during the term of office of the auditor. The auditor of the Corporation or any member of the audit committee may call a meeting of the committee.

The audit committee shall review the financial statements of the Corporation prior to approval thereof by the board of directors and shall have such other powers and duties as may from time to time by resolution be assigned to it by the board.

25. **Procedure**

Each committee shall have power to fix its quorum at not less than a majority of its members and to determine its own rules of procedure subject to any regulations imposed by the board of directors from time to time.

26. **Transaction of Business**

The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

OFFICERS

27. **Appointment of Officers**

The directors may annually or as often as may be required appoint such officers as they shall deem necessary, who shall have such authority and shall perform such functions and duties as may from time to time be prescribed by resolution of the directors, delegated by the directors or by other officers or properly incidental to their offices or other duties, provided that no officer shall be delegated the power to do anything referred to in paragraph 23 above. Such officers may include, without limitation, any of a President, a Chief Executive Officer, a Chair of the Board, one or more Vice-Presidents, a Chief Financial Officer, a Controller, a Secretary, a Treasurer and one or more Assistant Secretaries and/or one or more Assistant Treasurers. None of such officers (except the Chair of the Board) need be a director of the Corporation. A director may be appointed to any office of the Corporation. Two or more of such offices may be held by the same person.

28. **Removal of Officers**

All officers shall be subject to removal by resolution of the directors at any time, with or without cause. The directors may appoint a person to an office to replace an officer who has been removed or who has ceased to be an officer for any other reason.

29. **Duties of Officers may be Delegated**

In case of the absence or inability or refusal to act of any officer of the Corporation or for any other reason that the directors may deem sufficient, the directors may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

REMUNERATION OF DIRECTORS AND OFFICERS

30. The remuneration to be paid to the directors and officers of the Corporation shall be such as the directors shall from time to time by resolution determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Corporation who is also a director. The directors may also by resolution award special remuneration to any director in undertaking any special services on the Corporation's behalf other than the normal work ordinarily required of a director of a corporation. The confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors and officers shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Corporation.

INDEMNITIES TO DIRECTORS AND OTHERS

31. Indemnification

Subject to the provisions of sections 205 through 209 of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, or his or her heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the person in respect of any civil, criminal or administrative action or proceeding in which the individual is involved because of that association with the Corporation or other entity.

The Corporation is hereby authorized to execute agreements evidencing its indemnity in favour of the foregoing persons to the full extent permitted by law.

32. Advance of Costs

Unless prohibited by the Act, the Corporation may advance moneys to any director, officer or other person for the costs, charges and expenses of a proceeding referred to in paragraph 31. The person, however, shall repay the moneys to the Corporation if the individual is found to not be entitled to indemnification under section 207 of the Act.

33. Insurance

The Corporation may purchase and maintain insurance for the benefit of any person referred to in paragraph 31 against such liabilities and in such amounts as the board may determine and are permitted by the Act.

SHAREHOLDERS' MEETINGS

34. Annual or Special Meetings

The directors of the Corporation:

- (a) shall call an annual meeting of shareholders not later than 15 months after holding the last preceding annual meeting but no later than 6 months after the end of the Corporation's preceding financial year; and
- (b) may at any time call a special meeting of shareholders.

35. **Place of Meetings**

Meetings of shareholders of the Corporation shall be held at such place: (a) within the Province of Newfoundland and Labrador as the directors may determine; or (b) outside the Province of Newfoundland and Labrador as may be permitted by the Act.

36. **Electronic Participation and Voting**

Any person entitled to attend a meeting of shareholders may participate in the meeting by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for all purposes of the Act and the by-laws to be present at the meeting. If the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. Any vote at a meeting of shareholders may be held entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility, and any person participating in a meeting of shareholders by means of such facility and entitled to vote at that meeting may vote by means of such facility, provided that any such facility made available by the Corporation shall enable the votes to be gathered in a manner that permits their subsequent verification and permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each shareholder or group of shareholders voted.

37. **Shareholder List**

The Corporation shall prepare an alphabetical list of the shareholders entitled to receive notice of a meeting and vote at the meeting, showing the number of shares held by each shareholder:

- (a) if a record date for determining the shareholder entitled to receive notice of the meeting and/or entitled to vote at the meeting has been fixed, not later than 10 days after that date; or
- (b) if no record date has been fixed, on the record date established in accordance with paragraph 55 below.

Subject to subsection 233(2) of the Act, a shareholder whose name appears on such list is entitled to vote the shares shown opposite such shareholder's name at the meeting to which the list relates.

38. **Notice**

A notice stating the day, hour and place of meeting and, if special business is to be transacted thereat, stating (a) the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon, and (b) the text of any special resolution to be submitted to the meeting, shall be sent to each shareholder entitled to vote at the meeting, to each director of the Corporation and to the auditor of the Corporation. Such notice shall be personally delivered, sent by prepaid mail or, unless prohibited by the Act or any other laws applicable in the Province of Newfoundland and Labrador to communications with shareholders, delivered electronically by any means capable of producing a written copy, not less than 21 days and not more than 50 days (or such other number of days in either case as may be permitted by the Act from time to time), or if the Corporation is not a distributing corporation, not less than such number of days as may be fixed by the directors, before

the date of every meeting, and shall be addressed to the latest mailing address or electronic address of each such person as shown in the records of the Corporation or its transfer agent, or if no such address is shown therein, then to the last mailing address of each such person known to the Secretary. Notice of any meeting of shareholders or the time for the giving of any such notice or any irregularity in any such meeting or in the notice thereof may be waived in any manner by any shareholder, the duly appointed proxy of any shareholder, any director or the auditor of the Corporation and any other person entitled to attend a meeting of shareholders, and any such waiver may be validly given either before or after the meeting to which such waiver relates.

The auditor of the Corporation is entitled to receive notice of every meeting of shareholders of the Corporation and, at the expense of the Corporation, to attend and be heard thereat on matters relating to the auditor's duties.

39. **Omission of Notice**

The accidental omission to give notice of any meeting to or the non-receipt of any notice by any person shall not invalidate any resolution passed or any proceeding taken at any meeting of shareholders.

40. **Chair**

The Chair of the Board (if any) shall when present preside at all meetings of shareholders. In the absence of the Chair of the Board (if any), the President or, if the President is also absent, a Vice-President (if any) shall act as chair. If none of such officers is present at a meeting of shareholders, the shareholders present entitled to vote shall choose a director as chair of the meeting and if no director is present or if all the directors decline to take the chair then the shareholders present shall choose one of their number to be chair.

41. **Votes**

Votes at meetings of the shareholders may be cast either personally or by proxy. At every meeting at which a shareholder is entitled to vote, such shareholder (if present in person) or the proxyholder for such shareholder shall have one vote on a show of hands. Upon a ballot on which a shareholder is entitled to vote, every shareholder (if present in person or by proxy) shall (subject to the provisions, if any, of the Corporation's articles) have one vote for every share registered in such shareholder's name.

Every question submitted to any meeting of shareholders shall be decided in the first instance on a show of hands. In the case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

At any meeting, unless a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting, either before or after any vote by a show of hands, a declaration by the chair of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the motion.

If at any meeting a ballot is demanded on the election of a chair or on the question of adjournment or termination, the ballot shall be taken forthwith without adjournment. If a ballot is demanded on any other question or as to the election of directors, the ballot shall be taken in such manner and either at once or later at the meeting or after adjournment as the chair of the meeting directs. The

result of a ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded. A demand for a ballot may be made either before or after any vote by show of hands and may be withdrawn.

Where a body corporate or association is a shareholder, any individual authorized by a resolution of the directors or governing body of the body corporate or association may represent it at any meeting of shareholders and exercise at such meeting on behalf of the body corporate or association all the powers it could exercise if it were an individual shareholder, provided that the Corporation or the chair of the meeting may require such shareholder or such individual authorized by it to furnish a certified copy of such resolution or other appropriate evidence of the authority of such individual.

42. **Proxies**

A shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder or proxyholders or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy.

A form of proxy shall be a written or printed form that complies with the regulations under the Act (to the extent applicable). A form of proxy becomes a proxy on completion by or on behalf of a shareholder and execution by the shareholder or such shareholder's attorney authorized in writing. Alternatively, a proxy may be an electronic document that satisfies the requirements of the Act. A proxy is valid only at the meeting in respect of which it is given or at any adjournment thereof.

The directors may specify in a notice calling a meeting of shareholders a time not exceeding 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the meeting or an adjournment thereof before which time proxies to be used at the meeting must be deposited with the Corporation or its agent (subject to the rights of shareholders to revoke proxies, as provided below).

A shareholder may revoke a proxy either (a) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting or an adjournment thereof, or (b) in any other manner permitted by law.

43. **Adjournment**

The chair of the meeting may with the consent of the meeting adjourn any meeting of shareholders from time to time to a fixed time and place. If the meeting is adjourned for less than 30 days, no notice of the time and place for the holding of the adjourned meeting need be given to any shareholder, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than 90 days, section 250 of the Act does not apply. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The persons who form the quorum at the adjourned meeting need not be the same persons who formed the quorum at the original meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

44. **Quorum**

Two persons present and collectively holding or representing by proxy at least 25% of the issued and outstanding shares of the Corporation shall be a quorum of any meeting of shareholders for the time being enjoying voting rights at such meeting. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

Notwithstanding the foregoing, if the Corporation has only one shareholder, or only one shareholder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting and a quorum for such meeting.

45. **Resolutions in Writing**

Subject to subsection 240(1) of the Act:

- (a) a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and
- (b) a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders, and signed by all the shareholders entitled to vote at that meeting, satisfies all the requirements of the Act relating to meetings of shareholders.

46. **Joint Shareholders**

Where two or more persons hold the same share or shares jointly, any one of such persons present at a meeting of shareholders has the right, in the absence of the other or others, to vote such share or shares, but if more than one of such persons are present or represented by proxy and vote, they shall vote together as one on the share or shares jointly held by them.

SHARES AND TRANSFERS

47. **Issuance**

Subject to the articles of the Corporation and section 50 of the Act, shares in the Corporation may be issued at such time and issued to such persons and for such consideration as the directors may determine.

48. **Security Certificates**

Security certificates (and the form of transfer power on the reverse side thereof), subject to compliance with section 87 of the Act, or non-transferable written acknowledgements of a security holder's right to obtain a security certificate from the Corporation in respect of securities of the Corporation held by such security holder, shall be in such form as the directors may from time to time by resolution approve and such certificates or acknowledgement shall be manually signed by a director or officer of the Corporation, or by a registrar, transfer agent or branch transfer agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture, and additional signatures required on a security certificate or acknowledgement may be printed or otherwise mechanically reproduced on such certificate or acknowledgement. If a security certificate or acknowledgement contains a printed or mechanically reproduced signature of a person, the Corporation may issue the security certificate or

acknowledgement, notwithstanding that the person has ceased to be a director or an officer of the Corporation, and the security certificate or acknowledgement is as valid as if the person were a director or an officer at the date of its issue.

49. **Agent**

The directors may from time to time by resolution appoint or remove an agent to maintain a central securities register and branch securities registers for the Corporation.

50. **Surrender of Security Certificates**

Subject to the Act, no transfer of a security issued by the Corporation shall be recorded or registered unless and until either (a) the security certificate representing the security to be transferred has been surrendered and cancelled, or (b) if no security certificate has been issued by the Corporation to a registered securityholder in respect of such share, a duly executed security transfer power in a form acceptable to the Corporation and/or its transfer agent in respect thereof has been presented for registration.

51. **Defaced, Destroyed, Stolen or Lost Security Certificates**

In case of the defacement, destruction, theft or loss of a security certificate, the fact of such defacement, destruction, theft or loss shall be reported by the owner to the Corporation or to a trustee, registrar, transfer agent or other agent of the Corporation (if any) acting on behalf of the Corporation, with a statement verified by oath or statutory declaration as to the defacement, destruction, theft or loss and the circumstances concerning the same and with a request for the issuance of a new security certificate to replace the one so defaced, destroyed, stolen or lost. Upon the giving to the Corporation (or, if there is such an agent, then to the Corporation and to such agent) of an indemnity bond of a surety company in such form as is approved by any authorized officer of the Corporation, indemnifying the Corporation (and such agent, if any) against all loss, damage and expense, which the Corporation and/or such agent may suffer or be liable for by reason of the issuance of a new security certificate to such shareholder, and provided the Corporation or such agent does not have notice that the security has been acquired by a *bona fide* purchaser, a new security certificate may be issued in replacement of the one defaced, destroyed, stolen or lost, if such issuance is ordered and authorized by any authorized officer of the Corporation or by resolution of the directors.

DIVIDENDS

52. **Declaration and Payment of Dividends**

The directors may from time to time by resolution declare and the Corporation may pay dividends on its issued shares, subject to the articles of the Corporation.

The directors shall not declare and the Corporation shall not pay a dividend if there are reasonable grounds for believing that:

- (a) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

The Corporation may pay a dividend by issuing fully paid shares of the Corporation and, subject to section 76 of the Act, the Corporation may pay a dividend in money or property.

53. **Joint Securityholders**

In case several persons are registered as the joint holders of any securities of the Corporation, any one of such persons may give effectual receipts for all dividends and payments on account of dividends, principal, interest and/or redemption payments on redemption of securities (if any) subject to redemption in respect of such securities.

54. **Unclaimed Dividends**

Any dividend unclaimed after a period of six years from the date on which it has been declared to be payable shall be forfeited and shall revert to the Corporation.

RECORD DATES

55. **Shareholders' Meetings**

Subject to section 219 of the Act, the directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to receive notice of a meeting of shareholders and/or entitled to vote at a meeting of shareholders, but such record date shall not precede by more than 50 days or by less than 21 days (or such other number of days in either case as may be permitted by the Act from time to time) the date on which the meeting is to be held. Such shareholders shall be determined as at the close of business on the date fixed by the directors, unless otherwise specified by the directors.

If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of a meeting of the shareholders and to vote shall be:

- (a) at the close of business on the day immediately preceding the day on which the notice is given; or
- (b) if no notice is given, the day on which the meeting is held.

56. **Dividends, Distributions or Other Purposes**

Subject to section 219 of the Act, the directors may fix in advance a date as the record date for the determination of shareholders (a) entitled to receive payment of a dividend, (b) entitled to participate in a liquidation distribution, (c) for any other purpose except the right to receive notice or to vote at a meeting, but such record date shall not precede by more than 50 days (or such other number of days as may be permitted by the Act from time to time) the particular action to be taken. Such shareholders shall be determined as at the close of business on the date fixed by the directors, unless otherwise specified by the directors.

If no record date is fixed, the record date for the determination of shareholders for any purpose other than to establish a shareholder's right to receive notice of a meeting or to vote shall be at the close of business on the day on which the directors pass the resolution relating thereto.

57. **Notice of Record Date**

If a record date is fixed, unless notice of the record date is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the day the directors fix the record date, notice thereof shall be given, not less than seven days before the date so fixed,

- (a) by advertisement in a newspaper published or distributed in the place where the Corporation has its registered office and in each place in Canada where it has a transfer agent or where a transfer of its shares may be recorded; and
- (b) by written notice to each stock exchange in Canada on which the shares of the Corporation are listed for trading.

SECURITIES OF OTHER ISSUERS HELD BY CORPORATION

58. **Voting Securities of Other Issuers**

All securities of any other body corporate or issuer of securities carrying voting rights held from time to time by the Corporation may be voted at all meetings of shareholders, bondholders, debenture holders or holders of such securities, as the case may be, of such other body corporate or issuer and in such manner and by such person or persons as the directors of the Corporation shall from time to time determine and authorize by resolution. The duly authorized signing officers of the Corporation may also from time to time execute and deliver for and on behalf of the Corporation proxies and/or arrange for the issuance of voting certificates and/or other evidence of the right to vote in such names as they may determine without the necessity of a resolution or other action by the directors.

59. **Custody of Securities**

All securities (including warrants) belonging to the Corporation may be issued and held in the name of a nominee or nominees of the Corporation (and if issued or held in the names of more than one nominee shall be held in the names of the nominees jointly with right of survivorship) and shall be endorsed in blank with endorsement guaranteed in order to enable transfer thereof to be completed and registration thereof to be effected.

NOTICES, ETC.

60. **Service**

Any notice or other document required to be given or sent by the Corporation to any shareholder or director or the auditor of the Corporation shall be delivered personally or sent by prepaid mail or by fax, electronic mail or other electronic means capable of producing a written copy addressed to:

- (a) such shareholder at such shareholder's latest address as shown on the records of the Corporation or its transfer agent;
- (b) such director at such director's latest address as shown in the records of the Corporation or in the last notice filed under section 175 or 183 of the Act; and
- (c) the auditor of the Corporation at the auditor's latest address known to the Corporation.

With respect to every notice or other document sent by prepaid mail, it shall be sufficient to prove that the envelope or wrapper containing the notice or other document was properly addressed and put into a post office or into a post office letter box.

61. **Shareholders Who Cannot be Found**

If the Corporation sends a notice or document to a shareholder and the notice or document is returned on three consecutive occasions because the shareholder cannot be found, with at least one such notice or document having been sent to the shareholder's last known mailing address, the Corporation is not required to send any further notices or documents to the shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

62. **Shares Registered in More than One Name**

All notices or other documents shall, with respect to any shares in the capital of the Corporation registered in more than one name, be given to whichever of such persons is named first in the records of the Corporation and any notice or other document so given shall be sufficient notice or delivery of such document to all the holders of such shares.

63. **Persons Becoming Entitled by Operation of Law**

Every person who by operation of law, transfer or by any other means whatsoever shall become entitled to any shares in the capital of the Corporation shall be bound by every notice or other document in respect of such shares which prior to such person's name and address being entered on the records of the Corporation shall have been duly given to the person or persons from whom such person derives title to such shares.

64. **Deceased Shareholder**

Any notice or other document delivered or sent by post or left at the address of any shareholder as the same appears in the records of the Corporation shall, notwithstanding that such shareholder be then deceased and whether or not the Corporation has notice of such shareholder's death, be deemed to have been duly served in respect of the shares held by such shareholder (whether held solely or with other persons) until some other person be entered in such shareholder's stead in the records of the Corporation as the holder or one of the holders thereof and such service shall for all purposes be deemed a sufficient service of such notice or other document on such shareholder's heirs, executors or administrators and all persons (if any) interested with such shareholder in such shares.

65. **Signatures to Notices**

The signature of any director or officer of the Corporation to any notice may be written, printed or otherwise mechanically reproduced.

66. **Proof of Service**

A certificate of any officer of the Corporation in office at the time of the making of the certificate or of an agent of the Corporation as to facts in relation to the mailing or delivery or service or other communication of any notice or other documents to any shareholder, director, officer or auditor or as to the publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every shareholder, director, officer or auditor of the Corporation, as the case may be.

EXECUTION OF CONTRACTS, ETC.

67. **Authorization to Sign Contracts**

Contracts, documents or instruments in writing requiring the signature of the Corporation may be signed by any officer or director and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The directors are authorized from time to time by resolution to appoint any other person or persons on behalf of the Corporation either to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing. The term “contracts, documents or instruments in writing” as used in this by-law shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, powers of attorney, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of securities and all paper writings.

68. **Corporate Seal**

The corporate seal, if any, of the Corporation may, when required, be affixed to contracts, documents or instruments in writing signed as aforesaid or by an officer or officers, person or persons appointed as aforesaid by resolution of the board of directors.

69. **Reproduction of Signatures**

The signature or signatures of any officer or director of the Corporation and/or of any other officer or officers, person or persons appointed as aforesaid by resolution of the directors may be printed, engraved, lithographed or otherwise mechanically reproduced upon all contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation executed or issued by or on behalf of the Corporation and all contracts, documents or instruments in writing or securities of the Corporation on which the signature or signatures of any of the foregoing officers, directors or persons shall be so reproduced shall be deemed to have been manually signed by such officers, directors or persons whose signature or signatures is or are so reproduced and shall be as valid to all intents and purposes as if they had been signed manually and notwithstanding that the officers, directors or persons whose signature or signatures is or are so reproduced may have ceased to hold office at the date of delivery or issue of such contracts, documents or instruments in writing or securities of the Corporation.

70. **Signature of Cheques, Notes, etc.**

All cheques, drafts or orders for the payment of money and all notes, acceptances and bills of exchange shall be signed by such officer or officers or other person or persons, whether or not officers of the Corporation, and in such manner as the directors, or such officer or officers as may be delegated authority by the directors to determine such matters, may from time to time designate.

FINANCIAL YEAR

71. The financial year of the Corporation shall end on such day in each year as the board of directors may from time to time by resolution determine.

BORROWING

72. **Authority of Directors**

The directors may and they are hereby authorized from time to time to, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;
- (b) limit or increase the amount to be borrowed;
- (c) issue, reissue, sell or pledge debt obligations of the Corporation;
- (d) subject to section 78 of the Act, give a guarantee on behalf of the Corporation to secure payment or performance of an obligation of any person; and
- (e) mortgage, hypothecate, charge, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Corporation and the undertaking and rights of the Corporation, to secure any such debt obligations, or to secure any present or future borrowing, liability or obligation of the Corporation, including any guarantee given pursuant to subparagraph 72(d) above.

73. **Delegation by Directors**

The directors may from time to time by resolution delegate to any one or more directors or officers, or to any committee of directors of the Corporation all or any of the powers conferred on the directors by paragraph 72 above to the full extent thereof or such lesser extent as the directors may in any such resolution provide.

74. **Other Borrowing Powers**

The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any other powers to borrow money for the purposes of the Corporation or to do any other acts or things referred to in paragraph 72 above possessed by its directors or officers pursuant to the articles of the Corporation, any other by-law of the Corporation or applicable law.

REPEAL

75. **Effective Date**

This by-law shall be effective as of 13 March 2012.

76. **Repeal**

All previous by-laws of the Corporation are repealed as of the coming into force of this by-law provided that such repeal shall not affect the previous operation of any by-law so repealed or

affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

PASSED by the directors of the Corporation on 13 March 2012.

SCHEDULE C

FORTIS INC.

2012 STOCK OPTION PLAN

ARTICLE 1 PURPOSE OF PLAN

- 1.1 The purpose of this stock option plan is to provide Employees of Fortis Inc. and its Subsidiaries with compensation opportunities that will encourage share ownership and enhance the Corporation's ability to attract, retain and motivate key personnel and reward significant performance achievements.

ARTICLE 2 DEFINED TERMS

- 2.1 Where used herein, the following terms shall have the following meanings, respectively:

“**Affiliate**” means any corporation that is an affiliate of the Corporation as defined in section 1(2) of the *Securities Act* (Ontario) as the same may be amended from time to time;

“**Blackout Period**” means a period when the Optionee is prohibited from trading in the Corporation's securities pursuant to securities regulatory requirements or the Corporation's written policies then applicable;

“**Board**” means the board of directors of the Corporation;

“**Business Day**” means any day, other than a Saturday, Sunday or statutory or civic holiday in the Provinces of Ontario or Newfoundland and Labrador;

“**Change of Control**” means the occurrence of any one or more of the following events:

- (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any person or combination of persons acting jointly or in concert with each other, of Voting Securities representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding Voting Securities;
- (b) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its Subsidiaries which have an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Corporation and its Subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly owned subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its Subsidiaries;
- (c) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;
- (d) as a result of or in connection with: (A) a contested election of Directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or

acquisition involving the Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Board shall not constitute a majority of the Board; or

- (e) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

“**Committee**” means the Human Resources Committee or other committee of Directors appointed by the Board from time to time to administer the Plan and consisting of not less than three members of the Board; provided that only a Director who qualifies as independent under section 1.4 of National Instrument 52-110 – *Audit Committees* shall be entitled to serve as a member of the Committee;

“**Corporation**” means Fortis Inc., a corporation existing under the laws of the Province of Newfoundland and Labrador, and includes any successor corporation thereto;

“**Director**” means a director of the Corporation;

“**Eligible Person**” means any Employee of the Corporation or of a Subsidiary; provided that, for greater certainty, an “Eligible Person” shall not include a director of, or consultant to, the Corporation or any Subsidiary who is not otherwise an Employee;

“**Employee**” means an employee of the Corporation or of any Subsidiary and includes officers of the Corporation or of a Subsidiary;

“**Exercise Notice**” has the meaning set out in Section 6.1;

“**Insider**” has the meaning set out in the TSX Company Manual;

“**Market Price**” at any date in respect of the Shares means the volume weighted average trading price of the Shares determined by dividing the total value of the Shares traded on the Toronto Stock Exchange during the last five trading days immediately preceding such date by the total volume of the Shares traded on the Toronto Stock Exchange during such five trading days (or, if such Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in their sole discretion;

“**Option**” means an option to purchase Shares granted under the Plan;

“**Option Agreement**” means an option agreement entered into pursuant to the Plan;

“**Option Price**”, in respect of an Option, means the price per share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 8;

“**Optionee**” means a person to whom an Option has been granted;

“**Plan**” means the stock option plan of the Corporation, as embodied herein, as the same may be amended or varied from time to time;

“**Plan Limit**” has the meaning set out in Section 4.1;

“**Shareholder**” means a holder of Shares;

“**Shares**” means the common shares of the Corporation, or, in the event of an adjustment contemplated by Article 8, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

“**Subsidiary**” means any corporation which is a subsidiary of the Corporation. For purposes of the Plan, a body corporate shall be deemed to be a subsidiary of another body corporate if:

- (a) it is controlled by:
 - (i) that other body corporate;
 - (ii) that other body corporate and one or more bodies corporate each of which is controlled by that other body corporate; or
 - (iii) two or more bodies corporate each of which is controlled by that other body corporate; or
- (b) it is a subsidiary of a body corporate that is a subsidiary of that other body corporate;

“**TSX Company Manual**” means the Company Manual of the TSX, as amended from time to time, including such Staff Notices of the TSX from time to time which may supplement the same; and

“**Voting Securities**” means Shares and any other shares entitled to vote for the election of Directors and shall include any security, whether or not issued by the Corporation, which are not shares entitled to vote for the election of Directors but are convertible into or exchangeable for shares which are entitled to vote for the election of Directors including any options or rights to purchase such shares or securities.

ARTICLE 3

ADMINISTRATION OF THE PLAN

- 3.1 The Plan shall be administered by the Committee.
- 3.2 The Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
 - (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
 - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, and any such interpretation, construction or termination made by the Committee shall be final, binding and conclusive for all purposes;

- (c) to determine to which Eligible Persons Options shall be granted and to grant Options;
- (d) to determine the number of Shares covered by each Option and to reserve such Shares for issuance;
- (e) to determine the Option Price subject to the restrictions outlined in Articles 9, 10 and 11 hereof;
- (f) to determine the time or times when Options will be granted, will vest and will terminate, subject to the restrictions set out in Article 5;
- (g) to determine whether to require that an Option be exercised as to a minimum number of Shares; provided, however, that such requirement shall not prevent an Optionee from purchasing the full number of Shares as to which the Option is then exercisable;
- (h) to determine if the Shares which are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
- (i) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

ARTICLE 4
SHARES SUBJECT TO PLAN

- 4.1 Options may be granted in respect of authorized and unissued Shares provided that the aggregate number of Shares reserved for issuance under the Plan shall not exceed 10,000,000 Shares (the "Plan Limit"). The Plan Limit shall be subject to adjustment or increase pursuant to the provisions of Article 8 or as may otherwise be permitted by applicable law and the applicable rules of each stock exchange on which the Shares are then listed or quoted for trading. For greater certainty, any Shares that are subject to an Option which expires, is forfeited, is cancelled, or for any reason is terminated shall automatically become available for use under the Plan. No fractional shares may be purchased or issued under this Plan.

ARTICLE 5
ELIGIBILITY, GRANT AND TERMS OF OPTIONS

- 5.1 Options may be granted to Eligible Persons.
- 5.2 Subject to this Article 5, the Committee shall determine the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option; provided, however, that each Option shall be exercisable for a period not to exceed ten (10) years from the date the Option is granted to the Optionee or such earlier date as may be determined by the Committee in respect of the termination, death or retirement of an Optionee and which shall be set forth in the Option Agreement, provided that, in no event, in respect of the termination, death or retirement of an Optionee, shall such date be later than the earlier to occur of (i) the third anniversary of such event and (ii) the original expiry date of the Options granted to such Optionee.

- 5.3 The Option Price for a Share which is the subject of any Option shall in no circumstances be lower than the Market Price of the Share at the date of the grant of the Option (except, for greater certainty, as the result of an adjustment made in accordance with Section 8.1).
- 5.4 Each Option shall vest and be exercisable in the manner determined by the Committee and specified in the Option Agreement; provided, however, that no Option shall vest immediately upon being granted.
- 5.5 If the term of an Option held by an Optionee would expire during or within 10 Business Days following the expiration of a Blackout Period applicable to such Optionee, then the term of such Option or unexercised portion thereof shall be extended to the close of business on the date that is 10 Business Days following the expiration of the Blackout Period, except in respect of a Blackout Period resulting from a cease trade order issued by a securities regulatory authority to which the Corporation or the Optionee is subject.
- 5.6 Notwithstanding any other provision contained in the Plan or any agreement relating to any Options granted under the Plan, no Options shall be granted under the Plan and no Shares will be issued upon exercise of Options if, together with any other security based compensation arrangement established or maintained by the Corporation, such grant of Options or issuance of Shares, as the case may be, could result, at any time, in:
- (a) the number of Shares issuable to Insiders, at any time, exceeding 10% of the issued and outstanding Shares; or
 - (b) the number of Shares issued to Insiders, within any one-year period, exceeding 10% of the issued and outstanding Shares.

For the purpose of this Section 5.6, “issued and outstanding Shares” is determined on the basis of the number of Shares that are outstanding immediately prior to the grant of Options to an Insider.

- 5.7 An Option and any rights conferred by an Option are personal to the Optionee and are non-assignable. No Option granted hereunder or any right conferred by an Option shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Optionee, whether voluntarily or by operation of law, otherwise than by testate succession or the laws of descent and distribution, and any attempt to do so will cause such Option to be null and void. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee and, upon the death of an Optionee, the person to whom the rights shall have passed by testate succession or by the laws of descent and distribution may exercise any Option in accordance with the provisions of Article 6.

ARTICLE 6

EXERCISE OF OPTIONS

- 6.1 Subject to the provisions of the Plan and the provisions of the applicable Option Agreement, an Option which has vested may be exercised from time to time by submitting to the Corporation a notice of exercise (an “**Exercise Notice**”), in the form specified by the Corporation, specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Price of the Shares to be purchased, and, in accordance with Section 11.4, payment in full of the amount of tax the Corporation or Subsidiary is required to remit as a result of the exercise of the Option. Upon receipt by the Corporation of such Exercise Notice and payment, in an acceptable form, of the aggregate Option Price and any taxes relating

thereto, the number of Shares in respect of which the Option is exercised will, within a reasonable period of time, be duly issued as fully paid and non-assessable and Share certificates or other evidence of ownership for such Shares shall be issued and delivered to the Optionee or such nominee as the Optionee shall direct.

- 6.2 Except as expressly provided herein, no unvested Options may be exercised.
- 6.3 Notwithstanding any of the provisions contained in the Plan or in any Option Agreement, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental authority or stock exchange as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed; and
 - (c) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.
- 6.4 In connection with the foregoing, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which the Shares are then listed.

ARTICLE 7 **CHANGE OF CONTROL**

- 7.1 In the event of a Change of Control, all outstanding Options shall be immediately vested and exercisable, notwithstanding any determination of the Committee pursuant to Article 5 hereof, if applicable.
- 7.2 The Corporation shall give written notice of any proposed Change of Control to each Optionee. Upon the giving of any such notice, each Optionee shall be entitled to exercise, at any time within the period specified in the notice, such period to be not less than 10 Business Days and in no event later than the expiry date of the Option, all or a portion of those Options granted to such Optionee. Unless the Committee determines otherwise, in its discretion, upon the expiration of the period specified in the notice, all rights of the Optionees to exercise any outstanding Options shall terminate and all such Options shall immediately expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control.

ARTICLE 8 **CERTAIN ADJUSTMENTS**

- 8.1 Appropriate adjustments in the number of Shares subject to the Plan, and as regards Options granted or to be granted, in the number of Shares which are subject to Options and in the Option Price, shall be made by the Committee in its discretion to give effect to adjustments in the number

of Shares resulting from subdivisions, consolidations or reclassifications of the Shares or other relevant changes in the capital stock of the Corporation. The Committee's determination of such adjustments shall be final, binding and conclusive for all purposes.

ARTICLE 9
AMENDMENT OR DISCONTINUANCE OF PLAN

- 9.1 The Board may, insofar as permitted by law and subject to any required approval of the TSX, any other stock exchange or other authority, amend, modify, revise or otherwise change the terms of the Plan, any Option Agreement and any outstanding Option granted hereunder, in whole or in part, at any time, provided that, in the case of any action taken in respect of an outstanding Option, the Optionee's consent to such action shall be required unless the Committee determines that the action would not materially and adversely affect the rights of such Optionee.
- (a) For greater certainty and without limiting any of this Article 9, Shareholder approval shall not be required for the following amendments, subject to any regulatory approvals including, where required, the approval of the TSX:
- (i) amendments of a "housekeeping" nature, including any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision hereof;
 - (ii) amendments necessary to comply with the provisions of applicable law including, without limitation, the rules, regulations, and policies of the TSX;
 - (iii) amendments to the definition of Eligible Person other than an amendment which would have the potential of broadening or increasing Insider participation;
 - (iv) amendments increasing the Option Price of any Option;
 - (v) changing the vesting and exercise provisions of the Plan or any Option in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable Option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Committee's discretion;
 - (vi) changing the termination provisions of the Plan or any Option which, in the case of an Option, does not entail an extension beyond that Option's originally scheduled expiry date;
 - (vii) the addition or modification of a cashless exercise feature, payable in cash or Shares, which provides for a full deduction of the number of underlying Shares from the Plan Limit;
 - (viii) amendments changing the provisions on transferability of Options for normal estate settlement purposes;
 - (ix) amendments respecting administration of the Plan, including changing the process by which an Optionee who wishes to exercise his or her Option can do so, including the required form of payment for the Shares being purchased, the

form of Exercise Notice and the place where such payments and notices must be delivered;

- (x) adding a conditional exercise feature which would give Optionees the ability to conditionally exercise in certain circumstances determined by the Committee in its discretion, at any time up to a date determined by the Committee in its discretion, all or a portion of those Options granted to such Optionees which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Committee has determined shall be immediately vested and exercisable in such circumstances; and
- (xi) amendments necessary to suspend or terminate the Plan.

Any such amendment shall be effective at such date as the Board may determine, except that no such amendment, other than one of a minor nature, may apply to any period prior to the announcement of the amendment unless, in the opinion of the Board, such amendment is necessary or advisable in order to comply with the provisions of applicable legislation (including any regulations or rulings thereunder) or would not adversely affect the rights of an Optionee in respect of the Plan.

- (b) Notwithstanding Subsection (a), Shareholder approval shall be required for:
 - (i) any amendment to increase the Plan Limit (except, for greater certainty, as the result of an adjustment made in accordance with Section 8.1);
 - (ii) any amendment to Section 10.1 or any reduction in the Option Price of an outstanding Option (including a cancellation and re-grant of an Option constituting a reduction of the Option Price of an Option) or extension of the period during which an Option may be exercised (except, for greater certainty, as the result of an adjustment made in accordance with Section 8.1);
 - (iii) any amendment to the definition of Eligible Person that would expand the eligibility criteria for participation in the Plan or broaden or increase Insider participation;
 - (iv) any amendment to remove, exceed or increase the limits on Insider participation in the Plan prescribed by Section 5.6;
 - (v) any amendment to the provisions of this Plan that would permit Options to be transferred or assigned other than for normal estate settlement purposes, as permitted by Section 5.7;
 - (vi) any amendment to the provisions of this Section 9.1 which is not an amendment within the nature of Section 9.1(a)(i) or Section 9.1(a)(ii),

in each case, unless the change results from the application of Section 8.1.

- 9.2 Shareholders' approval of an amendment, if required pursuant to Section 9.1, shall be given by the approval of a majority of the Shareholders present in person or by proxy and entitled to vote at a duly called meeting of the Shareholders and shall, if and only to the extent required under applicable securities laws and regulatory requirements, exclude the votes cast by Insiders of the

Corporation. Options may be granted under the Plan prior to the approval of the amendment, provided that no Shares may be issued pursuant to the amended terms of the Plan until the requisite Shareholders' approval of the amendment has been obtained.

- 9.3 Subject to Section 9.1, the Board may suspend, discontinue or terminate this Plan at any time.

ARTICLE 10
PROHIBITION ON REPRICING OF OPTIONS

- 10.1 Notwithstanding any provision in this Plan to the contrary (except, for greater certainty, pursuant to an adjustment made in accordance with Section 8.1), no Option may be amended to reduce the Option Price below the Option Price as of the date the Option is granted.

ARTICLE 11
MISCELLANEOUS PROVISIONS

- 11.1 The holder of an Option shall not have any rights as a Shareholder with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the Corporation shall issue such Shares to the Optionee in accordance with the terms of the Plan in those circumstances.
- 11.2 Nothing in the Plan or any Option Agreement shall confer upon any Optionee any right to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate his or her employment at any time; nor shall anything in the Plan or any Option Agreement be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the employment of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary or any present or future retirement policy of the Corporation or any Subsidiary, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.
- 11.3 Nothing in the Plan or any Option Agreement shall confer upon any Optionee any right to continue providing ongoing services to the Corporation or any entity controlled by the Corporation or effect in any way the right of the Corporation or any such entity to terminate his, her or its contract at any time; nor shall anything in the Plan or any Option Agreement be deemed or construed as an agreement, or an expression of intent, on the part of the Corporation or any such entity to extend the time for the performance of the ongoing services beyond the time specified in the contract with the Corporation or any such entity.
- 11.4 In the event the Optionee elects to exercise the Option (or any part thereof), if the Corporation or a Subsidiary shall be required to withhold any amounts by reason of any federal, provincial, state or local tax rules or regulations in respect of the issuance of Shares to the Optionee, the Corporation or the Subsidiary shall be entitled to deduct and withhold such amounts from other income of the Optionee or, alternatively, the Corporation or Subsidiary shall require the Optionee to provide funds to satisfy such withholding obligation or make other arrangements that are satisfactory to the Corporation or Subsidiary, as the case may be.
- 11.5 The Plan and the exercise of the Options granted under the Plan shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or

desirable to comply with any legal requirements or the requirements of any stock exchange or other regulatory authority or to obtain any approval or consent from any such stock exchange or other regulatory authority as a condition of, or in connection with, the Plan or the exercise of the Options granted under the Plan or the issue of Shares as a result thereof, then in any such event any Options granted prior to such approval and acceptance shall be conditional upon such compliance having been effected or such approval or consent having been given and no such Options may be exercised unless and until such compliance is effected or until such approval or consent is given on conditions satisfactory to the Corporation in its sole discretion.

- 11.6 The Plan and all Option Agreements entered into pursuant to the Plan shall be governed by the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein.

SCHEDULE D

FORTIS INC.

2012 EMPLOYEE SHARE PURCHASE PLAN

1 Purpose

- 1.1 The purpose of the Plan is to provide eligible employees of the Corporation and its subsidiaries with an opportunity to purchase common shares of the Corporation, thereby encouraging share ownership and enhancing the Corporation's ability to attract, retain and motivate such employees.
- 1.2 Participation in the Plan is entirely voluntary. No employee is obliged, as a term or condition of employment or otherwise, to participate in the Plan, and failure to participate shall not in any way affect employment.

2 Definitions

- 2.1 For the purpose of this Plan, unless the context requires a different meaning, the following terms have the following meanings:

“**1994 Plan**” means the Employee Share Purchase Plan of the Corporation, dated November 29, 1994, as amended;

“**2010 Plan**” means the 2010 Employee Share Purchase Plan of the Corporation, dated June 1, 2010, as amended;

“**Account**” of a Participant means the account established and maintained by the Administrative Agent for such Participant in accordance with the Administrative Agreement;

“**Administrative Agent**” means Computershare Trust Company of Canada, an entity independent of the Corporation, or such other independent administrative agent or custodian appointed by the Corporation;

“**Administrative Agreement**” has the meaning set out in Section 17.1;

“**Allowable Employee Contribution**” has the meaning set out in Section 6.1;

“**Base Pay**” means an employee's basic or regular annual compensation from the Participating Company, excluding overtime, shift premiums, incentive payments, commissions, bonuses and other non-basic compensation items;

“**Board**” means the board of directors of the Corporation;

“**Broker**” means such broker or brokers as may be designated from time to time by the Administrative Agent;

“**Business Day**” means any day other than a Saturday, Sunday or statutory or civic holiday in the Provinces of Ontario or Newfoundland and Labrador;

“**Cancellation Notice**” means a cancellation notice in the form prescribed by the Corporation and submitted by a Participant;

“**Corporation**” means Fortis Inc., and includes any successor corporation thereof;

“**Elected Contribution Amount**” has the meaning set out in Section 6.2;

“**Election Agreement**” means an agreement in the form prescribed by the Corporation and submitted by an Eligible Employee;

“**Eligible Employee**” has the meaning set out in Section 4.1;

“**Employee Contribution**” means the contributions made to the Plan by Participants, as provided for in Section 6.2;

“**Employee Loan**” means the loan made to a Participant from a Participating Company for the purpose of making an Employee Contribution to the Plan as provided for in Subsection 6.2(b);

“**Employer Contribution**” has the meaning set out in Section 7.1;

“**Fair Market Value**” at any date in respect of the Shares means the volume weighted average trading price of the Shares determined by dividing the total value of the Shares traded on the Toronto Stock Exchange during the last five trading days immediately preceding such date by the total volume of the Shares traded on the Toronto Stock Exchange during such five trading days (or, if such Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in their sole discretion;

“**Insider**” has the meaning set out in the TSX Company Manual;

“**Investment Date**” means each of the four quarterly Corporation dividend payment dates in a calendar year, on which date the Administrative Agent shall have invested all Employee Contributions and Employer Contributions received by the Administrative Agent since the immediately preceding Investment Date and such other date as may be specified by the Corporation, or such alternative regular dates as the Corporation may specify, upon not less than 90 days’ notice to the Administrative Agent, for the investment of Employee Contributions and Employer Contributions;

“**Investment Period**” means the period of time on and after an Investment Date and up to but excluding the immediately following Investment Date;

“**Leave of Absence**” means an unpaid period of absence formally granted in conformity with the rules of the Participating Company;

“**Participant**” means a person who is eligible to participate in the Plan and (i) has duly executed and submitted an Election Agreement in accordance with Section 5.1 and who has not cancelled or been deemed to have cancelled the Election Agreement, or (ii) is a participant in one or both of the 1994 Plan and the 2010 Plan (together, the “**Predecessor Plans**”) as of the date hereof, in which case such person shall be automatically designated as a Participant;

“**Participating Company**” means the Corporation, or the Subsidiary or affiliate of the Corporation employing the Participant;

“**Payroll Office**” means the Participating Company’s payroll office;

“**Plan**” means this 2012 Employee Share Purchase Plan, as amended from time to time;

“**Proceeds of Sale**” and similar phrases mean the net proceeds of sale after payment of applicable commissions and brokerage fees or other ancillary costs and expenses;

“**Purchase Conditions**” means, in respect of the authorization, issuance or sale of Shares from the Corporation to Participants under this Plan, the following:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and the obtaining of all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection therewith;
- (b) the admission of such Shares to listing on the TSX or any other stock exchange on which such Shares may then be listed; and
- (c) the Corporation’s receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction;

“**RRSP**” means a registered retirement savings plan established under the *Income Tax Act* (Canada);

“**Share Purchase Fund**” has the meaning set out in Subsection 17.1(a);

“**Shareholder**” means a holder of Shares;

“**Shares**” means the common shares of the Corporation as currently constituted or any shares, securities or other property into which such shares are changed, reclassified, subdivided, consolidated or converted or which is substituted for such shares;

“**Subsidiary**” has the meaning given to that term in National Instrument 45-106;

“**TFSA**” means a tax-free savings account established under the *Income Tax Act* (Canada);

“**Treasury**” means the treasury of the Corporation; and

“**TSX**” means The Toronto Stock Exchange.

3 Construction

3.1 In this Plan, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Plan into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan;

- (b) the terms “this Plan”, “herein”, “hereby”, “hereof” and “hereunder” and similar expressions refer to this Plan and not to any particular article, section or other portion hereof;
- (c) references to Articles and Sections are to the specified articles and sections of this Plan;
- (d) words importing the singular include the plural and vice versa and words importing any gender shall include the masculine, feminine and neutral genders;
- (e) the words “includes” and “including”, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;
- (f) whenever the Board is to exercise discretion in the administration of the terms and conditions of this Plan, the term “discretion” means the sole and absolute discretion of the Board;
- (g) unless otherwise specified, all references to money amounts are to Canadian currency;
- (h) whenever an Investment Date, or any other day specified for action in accordance with this Plan is not a Business Day, then such event shall be deemed to occur on the next following Business Day; and
- (i) for purposes of Subsection 6.2(b) and Section 14.1, the date of occurrence of the termination of a Participant’s employment by a Participating Company is the date that the Participant actually ceases to perform services for the Participating Company, without regard to whether (i) the Participant continues thereafter to receive any payment from the Participating Company in respect of such termination, including without limitation any continuation of salary or other compensation in lieu of notice of such termination, or (ii) such Participant claims or is found to be entitled at law to greater notice of such termination or greater compensation in lieu thereof than has been received by such Participant.

4 Eligibility

- 4.1 All full-time or part-time employees (i) who are not employed on a probationary, temporary, or seasonal basis with a Participating Company, and (ii) if not resident in Canada, who have received written notice from the Corporation confirming that their participation in the Plan is in compliance with applicable securities and other laws, shall be eligible to participate in the Plan (each an “**Eligible Employee**”). These conditions may be amended or waived in appropriate circumstances at the discretion of the Board.
- 4.2 Retirees are eligible to continue participation in the Plan in accordance with the provisions of Sections 14.2 and 14.3.

5 Application for Participation

- 5.1 An Eligible Employee who wishes to apply for participation in the Plan may do so by submitting an Election Agreement to the Payroll Office. An Election Agreement so submitted shall become

effective commencing no later than the second pay period after it is received and will continue to be effective until cancelled or deemed to be cancelled in accordance with the provisions of the Plan. Eligible Employees who are Participants as a result of being participants in the Predecessor Plans as of the date of this Plan shall not be required to submit an Election Agreement and shall be automatically enrolled as Participants in the Plan on terms substantially similar to their participation in the Predecessor Plans.

6 Employee Contributions

6.1 In any Investment Period, Participants may elect to contribute to the Plan an amount not less than 1% nor more than 10% of the Participant's Base Pay. A Participant's aggregate Employee Contribution in any calendar year (inclusive of contributions to alternative account structures described in Section 15.1) may not exceed 10% of the Participant's Base Pay (the "**Allowable Employee Contribution**").

6.2 Participants may designate the amount of their Employee Contribution for each Investment Period ("**Elected Contribution Amount**") and method of making an Employee Contribution by selecting one or more of the contribution methods set out in an Election Agreement and described below, or such alternative contribution methods as may be authorized by the Board from time to time:

(a) Lump Sum Contribution:

Participants may make Employee Contributions by way of lump sum contributions to the Plan by submitting an Election Agreement together with a cheque or authorization for direct deposit in the amount of the lump sum contribution to the Payroll Office prior to the date prescribed by the Participating Company. Employee Contributions by way of lump sum payments may not be made more than once per Investment Period; or

(b) Employee Loan:

Participants may make Employee Contributions by submitting an Election Agreement to the Payroll Office, prior to the date prescribed by the Participating Company, requesting an Employee Loan from the applicable Participating Company and directing the Participating Company to pay such amount to the Administrative Agent. The Participating Company shall loan the Participant such amount for the sole purpose of making Employee Contributions to the Plan by delivering to the Administrative Agent payment in the amount of the Employee Loan requested by the Participant. The Participant shall repay the Employee Loan, without interest, over a term not exceeding fifty-two (52) weeks immediately following the date on which payment of the Employee Loan is made to the Administrative Agent. For as long as all or any part of the Employee Loan is outstanding, the Participating Company shall deduct from the Participant's Base Pay, commencing with the first pay cheque following payment, an amount sufficient to repay the Employee Loan through a series of equal deductions over the term of the loan. The full amount of the Employee Loan will become due and payable immediately upon termination of the Participant's employment. Any Shares acquired with a loan will be pledged to the Participating Company and will be restricted from sale or disposal until such time as the loan in respect thereof has been fully repaid.

6.3 A Participant may change his or her Elected Contribution Amount (within the limits provided in Section 6.1) and contribution method by submitting a new Election Agreement to the Payroll

Office in the form prescribed by the Corporation. The new Election Agreement shall replace and supersede any previous Election Agreement submitted under this Plan or the Predecessor Plans. An election shall become effective upon receipt and processing of the Election Agreement by the Payroll Office.

7 Employer Contributions

- 7.1 The Participating Company shall pay to the Administrative Agent on behalf of and for the benefit of each Participant as additional salary, an amount equal to 10% of the Participant's Employee Contributions contributed to the Plan pursuant to Section 6.2 hereof, provided that the maximum amount of additional salary payable to a Participant by a Participating Company in any calendar year shall be limited to 1% of the Participant's Base Pay (an "**Employer Contribution**"). Such payment is conditional on the Participant providing the Participating Company with an irrevocable direction, made by completing and submitting the Election Agreement, to pay such amount to the Administrative Agent without withholding tax from such amount. Tax withheld in respect of Employer Contributions will be made from other income payable to the Participant by the Participating Company.
- 7.2 The Participating Company shall also contribute an amount equal to 10% of any dividends payable by the Corporation on all Shares credited to a Participant's Account and such contributions in respect of dividends shall also be considered an Employer Contribution.

8 Purchases of Shares

- 8.1 Employee Contributions and Employer Contributions shall be remitted to the Administrative Agent as soon as may be required by the Administrative Agent prior to an Investment Date. All Employee Contributions and Employer Contributions shall be held by the Administrative Agent pending purchases of Shares pursuant to this Article 8.
- 8.2 All funds remitted to the Administrative Agent, including Employee Contributions and Employer Contributions, from time to time available for investment shall be used by the Administrative Agent to purchase Shares in accordance with this Article 8. Provided that the Purchase Conditions have been satisfied, Shares to be allocated to Participants on an Investment Date shall be purchased by the Administrative Agent on the Investment Date immediately following the Investment Period in which Employee Contributions were received.
- 8.3 Shares to be purchased by the Administrative Agent shall be acquired in the following manner: (i) issuance from Treasury; (ii) purchases on the open market; or (iii) both (i) and (ii), in each case as may be determined by the Corporation. The Corporation shall advise the Administrative Agent on a date no later than 15 Business Days prior to the Investment Date as to the manner of such acquisition and, if from both Treasury and on the open market, the relative allocation of such acquisition.
- 8.4 Shares purchased by the Administrative Agent from Treasury shall be purchased at the Fair Market Value on the date of purchase. Shares purchased on the open market shall be made through the facilities of the TSX or such other stock exchange as the Shares may from time to time be listed and posted for trading.
- 8.5 The Corporation will pay the fees and expenses set out in the Administrative Agreement, and all brokerage fees and all other ancillary expenses relating to the purchase of Shares on the open market under the Plan.

- 8.6 All Shares purchased by the Administrative Agent under the Plan shall be held by the Administrative Agent on behalf of the Participants pending distribution to the Participants. Until Shares held by the Administrative Agent are distributed to the Participants, all cash dividends and all distributions of property, warrants, options or rights in respect of such Shares shall be received by the Administrative Agent as registered holder of the Shares and held by the Administrative Agent. The Administrative Agent shall use all such cash dividends and the Proceeds of Sale of any such distributions of property or rights towards the purchase of Shares under this Article 8.
- 8.7 Notwithstanding any other provision contained in the Plan, no Shares shall be purchased under the Plan on behalf of a Participant if, together with any other security based compensation arrangement established or maintained by the Corporation, such purchase could result, at any time, in:
- (a) the number of Shares issuable to Insiders, at any time, exceeding 10% of the issued and outstanding Shares; or
 - (b) the number of Shares issued to Insiders, within any one-year period, exceeding 10% of the issued and outstanding Shares.

For the purpose of this Section 8.7, “issued and outstanding Shares” is determined on the basis of the number of Shares that are outstanding immediately prior to the purchase of Shares.

9 Number of Shares Reserved

- 9.1 The maximum number of Shares which may be reserved for issuance from Treasury under the Plan shall be 2,044,664 Shares, which number may only be increased with the approval of the Shareholders.

10 Allocation of Shares to Participants' Accounts

- 10.1 Shares held from time to time by the Administrative Agent shall be allocated as at the end of each Investment Period among all the Participants' Accounts on a *pro rata* basis. The number of Shares allocated to a Participant's Account shall be equal to the number obtained by dividing the sum of the following by the average cost per Share of the Shares purchased in such Investment Period:
- (a) the Participant's Employee Contribution in such Investment Period;
 - (b) the Participant's Employer Contribution in such Investment Period;
 - (c) the Participant's *pro rata* share of all cash dividends received by the Administrative Agent in such Investment Period in respect of Shares held by the Administrative Agent; and
 - (d) the Participant's *pro rata* share of all Proceeds of Sale received by the Administrative Agent in such Investment Period for any property, warrants, options or rights distributed to the Administrative Agent in respect of Shares held by the Administrative Agent.
- 10.2 The average cost per Share of the Shares purchased during an Investment Period shall be determined by the Administrative Agent by dividing the total number of Shares purchased in such

Investment Period into the total cost (excluding brokerage fees and other ancillary expenses paid by the Corporation) of such Shares.

- 10.3 For the purposes of Subsections 10.1(c) and 10.1(d), a Participant's *pro rata* share of any dividends or Proceeds of Sale of distributions shall be determined by dividing the number of Shares allocated to such Participant's Account as at the record date for the dividend or distribution by the total number of Shares allocated to all Participants' Accounts as at the record date for the dividend or distribution.

11 Statement of Account

- 11.1 A statement of account shall be issued by the Administrative Agent to each Participant as soon as is practical following the end of each Investment Period. The statement of account shall indicate for the relevant Investment Period the number of Shares allocated to the Participant's Account (including all whole and fractional shares), the number of Shares withdrawn from the Account, the Participant's *pro rata* share of all cash dividends received by the Administrative Agent in respect of the Shares held by the Administrative Agent and the amount of any lump sum Employee Contributions received by the Administrative Agent.

12 Cancellation by a Participant

- 12.1 A Participant may cancel his or her participation in the Plan at any time by submitting a Cancellation Notice to the Payroll Office. Cancellation shall become effective upon receipt of the Cancellation Notice by the Administrative Agent.
- 12.2 Provided that no Employee Loan is outstanding, the Participant shall receive the whole Shares in the Participant's Account, net of any applicable withholding taxes, as of the effective date of cancellation. Payment shall be made in cash for any fraction of a Share to which the Participant is entitled. For the purposes of determining the amount of any such cash payment, Shares shall be valued using the average cost of the Shares which were allocated in the Investment Period in which the effective date of cancellation occurs.
- 12.3 Delivery of a share certificate or other evidence of share ownership representing the whole Shares to which the cancelling Participant is entitled, and of the cash payment, if any, shall be made to the Participant at the end of the Investment Period following the Investment Period in which the cancellation becomes effective. Unless otherwise instructed by the Participant, such share certificate or other evidence of share ownership shall be registered in the Participant's name and delivered to the Participant at the address indicated in his or her Election Agreement or, in the case of participants in the Predecessor Plans automatically enrolled in the Plan, as indicated by the records of the Administrative Agent.

13 Leave of Absence

- 13.1 While a Participant is on Leave of Absence, the Participant's enrolment in the Plan shall be suspended until the Participant's return. A Participant on Leave of Absence shall not be permitted to remit payments for the purchase of Shares under this Plan unless so authorized by the Board and will be required to make arrangements satisfactory to the Payroll Office in respect of any outstanding Employee Loan.
- 13.2 When continued participation in the Plan is authorized by the Board for a Participant on a Leave of Absence, an advance payment of the amount required to cover the period of unpaid absence

shall be made by cheque or authorization for direct deposit payable to the Participating Company. The amount of prepayment shall be the amount that the Participant would otherwise be entitled to contribute during the Leave of Absence if he or she had not taken a Leave of Absence, provided that the Participant shall not be entitled to change such amount pursuant to Section 6.3 unless authorized by the Board. A Participant on a Leave of Absence who has been authorized by the Board to make prepayments for the purchase of Shares under the Plan may make the required prepayment in instalments by the use of two or more cheques. All but the first cheque may be post-dated so that payments for the period covered by each cheque will be made in advance.

14 Retirement - Termination - Death

- 14.1 When a Participant (i) retires, (ii) terminates, or (iii) dies, the Participant, or in the case of death, the Participant's estate, shall be entitled to receive the whole Shares in the Participant's Account, net of any applicable withholding taxes, by delivery of a share certificate or other evidence of share ownership to the Participant or the Participant's estate, as well as a cash payment for the value of any fraction of a Share in the Participant's Account. Alternatively, the Participant or the Participant's estate may direct the Administrative Agent to sell the whole Shares in the Participant's Account and remit the proceeds of such sale, net of any applicable fees, expenses and withholding taxes, to an external account. The determination of the number of Shares for the purpose of distribution or sale shall be made as of the end of the Investment Period in which the event referred to in item (i), (ii) or (iii) occurs.
- 14.2 Upon retirement, a Participant may elect to continue participation in the Plan, provided that a retiree's participation shall be limited to the reinvestment of dividends by the Administrative Agent in respect of Shares held by the Administrative Agent on behalf of the Participant as provided pursuant to Section 10.1 hereof. Upon termination or death, the Participant shall be deemed to have cancelled the Election Agreement and withdrawn from the Plan on the last day of the Investment Period in which such event occurs and the Participant shall cease to receive any Employer Contribution from a Participating Company.
- 14.3 A notice electing (i) to continue limited participation in the Plan (in the case of retirement), (ii) to transfer the whole Shares in the Participant's Account to an external account provided in such notice, or (iii) to sell the whole Shares in the Participant's Account and transfer the net proceeds to an external account provided in such notice, must be submitted in the form prescribed by the Corporation to the Payroll Office within 90 days of the Participant's retirement, termination or death. If no notice is filed within 90 days following such an event, the Participant or the Participant's estate shall be deemed to have elected to have the Participant's Shares transferred to the name of the Participant or the Participant's estate, as applicable and in the case of any Participant Shares held in any alternative account structure as may be permitted under Section 15.1, the Participant shall be deemed to have elected to terminate such alternative structures and liquidate or transfer any such alternative structures in accordance with the terms thereof.

15 Alternative Account Structures

- 15.1 The Corporation may offer alternative account structures for investment of Employee Contributions and Employer Contributions on behalf of the Participant in RRSP, TFSA or other similar arrangements made available in Canada, provided that the aggregate annual Employee Contribution to all account structures utilized by the Participant does not exceed the Allowable Employee Contribution and upon such other terms and conditions applicable to such alternative account structures as may be prescribed by the Corporation and the Administrative Agent.

16 Termination for Inactivity

- 16.1 Where a Participant has not made a contribution in the previous twenty-four (24) months, the Corporation may direct the Administrative Agent to terminate that Participant's participation in the Plan.

17 Administrative Agent

- 17.1 The Corporation shall enter into an agreement (the "**Administrative Agreement**") with the Administrative Agent. The Corporation will not, directly or indirectly, control the time, price, amount or manner of Share purchases or the choice of Broker through which Share purchases are made. The Administrative Agreement shall provide, among other things, that:

- (a) all cash, Shares, dividends or property received by the Administrative Agent under the Plan or in respect of Shares held by the Administrative Agent shall be held by the Administrative Agent as nominee (the "**Share Purchase Fund**") and no part of the Share Purchase Fund shall be used for or diverted to purposes other than for the exclusive benefit of Participants, subject to a charge in favour of the Administrative Agent in respect of compensation payable to the Administrative Agent for the performance of its duties under the Administrative Agreement;
- (b) the Administrative Agent shall establish and maintain an Account for each Participant as contemplated by the Plan;
- (c) all funds in the Administrative Agent from time to time and available for investment shall be used by the Administrative Agent to purchase Shares in accordance with Article 8;
- (d) the Administrative Agent or any person authorized to purchase Shares under the Plan may temporarily hold in cash or invest Administrative Agent monies in short-term government obligations or investments with a Schedule I Canadian chartered bank with an original maturity of not greater than one year pending investment of such funds in Shares;
- (e) all Shares held by the Administrative Agent shall be registered in the name of the Administrative Agent or its nominee. Until Shares held by the Administrative Agent are distributed, the Administrative Agent shall have all voting and corporate rights in respect of such Shares. The Administrative Agent shall vote, directly or by proxy, the Shares registered in its name in such manner as each Participant shall have previously directed in writing, and in default of any such direction the Administrative Agent shall refrain from voting, directly or by proxy. The Administrative Agent may and will, if so required by any Participant, execute all proxies necessary or proper to enable the employee to attend and vote the Shares held by the Administrative Agent on his or her behalf at any such meeting in place of the Administrative Agent;
- (f) all non-cash dividends or distributions of property or rights, other than stock dividends, received by the Administrative Agent in respect of the Shares shall to the extent possible be sold by the Administrative Agent in the open market or by private sale and the Proceeds of Sale used to purchase Shares under Article 8; and
- (g) the Administrative Agent shall prepare and file appropriate tax information for the Share Purchase Fund in respect of each year.

18 Rights Not Transferable

- 18.1 Except insofar as applicable law may otherwise require, no right or interest of any Participant under the Plan shall be assignable or transferable in whole or in part either directly or otherwise. Except insofar as applicable law may otherwise require, no right or interest of any Participant under the Plan shall be liable for or subject to any obligation or liability of such Participant.
- 18.2 If a Participant is transferred in an employer-supported transfer from one Participating Company to another Participating Company, his or her Election Agreement shall remain in full force and effect with the other Participating Company.

19 Amendment of the Plan

- 19.1 The Board may, insofar as permitted by law and subject to any required approval of the TSX, any other stock exchange or other authority, amend, modify, revise or otherwise change the terms of the Plan, in whole or in part, provided that no amendment or revision may use or divert any part of the Share Purchase Fund for purposes other than for the exclusive benefit of Participants. The Board may suspend, discontinue or terminate this Plan at any time.
- 19.2 For greater certainty and without limiting any of this Article 19, Shareholder approval shall not be required for the following amendments, subject to any regulatory approvals including, where required, the approval of the TSX:
- (a) amendments of a “housekeeping” nature, including any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision hereof;
 - (b) amendments necessary to comply with the provisions of applicable law including, without limitation, the rules, regulations, and policies of the TSX;
 - (c) amendments to the definition of Eligible Employee other than an amendment which would have the potential of broadening or increasing Insider participation;
 - (d) amendments respecting administration of the Plan, including but not limited to changing the process by which an Eligible Employee may participate in the Plan, such as changing the Investment Dates, changing the manner in which Employee Contributions may be made, changing the form of Election Agreement and changing the place where such payments and notices must be delivered;
 - (e) amendments to the Allowable Employee Contribution established in Section 6.1, provided that the Allowable Employee Contribution may not exceed 25% of a Participant’s Base Pay;
 - (f) amendments to the definition of Employer Contribution that would adjust the financial assistance provided to Participants, provided that such financial assistance is not greater than 25% of the Participant’s Employee Contributions;
 - (g) amendments necessary to introduce vesting or retention periods in respect of Shares purchased under the Plan; and
 - (h) amendments necessary to suspend or terminate the Plan.

- 19.3 Any such amendment shall be effective at such date as the Board may determine, except that no such amendment, other than one of a minor nature, may apply to any period prior to the announcement of the amendment unless, in the opinion of the Board, such amendment is necessary or advisable in order to comply with the provisions of applicable legislation (including any regulations or rulings thereunder) or would not adversely affect the rights of Participants in respect of the Plan. Notice of any amendment of the Plan shall be given promptly to the Administrative Agent and to Participating Companies and, except for changes of a minor nature which do not adversely affect their interests, shall also be given to all Participants. Notwithstanding Section 19.2, Shareholder approval shall be required for:
- (a) any amendment to increase the maximum number of Shares reserved for issuance from Treasury under the Plan;
 - (b) any amendment to the definition of Eligible Employee as set out in Section 4.1 so as to potentially broaden or increase Insider participation;
 - (c) any amendment that would increase the Allowable Employee Contribution established in Section 6.1 to an amount greater than 25% of a Participant's Base Pay;
 - (d) any amendment that would provide for any additional form of financial assistance to Participants;
 - (e) any amendment to the definition of Employer Contribution that would provide financial assistance to Participants that is greater than 25% of the Participant's Employee Contributions;
 - (f) any amendment to remove, exceed or increase the limits on Insider participation in the Plan established by Section 8.7, and
 - (g) any amendment to the provisions of this Article 19 which is not an amendment within the nature of Subsections 19.2(a) or 19.2(b).
- 19.4 The Shareholders' approval of an amendment, if required pursuant to Section 19.3, shall be given by the approval of a majority of the Shareholders present in person or by proxy and entitled to vote at a duly called meeting of the Shareholders and shall, if and only to the extent required under applicable securities laws and regulatory requirements, exclude the votes cast by Insiders of the Corporation.

20 Termination of Plan

- 20.1 The Corporation may at any time terminate the operation of the Plan by resolution of the Board. Prior to any such termination, each Participant and each Participating Company shall be given at least 30 days' notice in writing.
- 20.2 In the event of the termination of the Plan, each Participant shall receive the whole Shares allocated to his or her Account and payment in cash for any balance of fractional Shares. For the purposes of making such cash payment, the Administrative Agent shall sell the fractional Shares of the Participants in the open market or by private sale and the proceeds of any such sale shall be divided among the Participants in proportion to the number of fractional Shares held by such Participants.

21 Communications with Participants

21.1 All notices, statements of account, share certificates or other evidence of share ownership and other documents to be delivered to a Participant shall be deemed duly given when mailed to the Participant's address indicated in his or her Election Agreement or, in the case of participants in the Predecessor Plans automatically enrolled in the Plan, as indicated by the records of the Administrative Agent. Participants must notify the Payroll Office promptly in writing of any change of address.

21.2 Notices to the Administrative Agent shall be sent to:

Fortis Inc. – 2012 Employee Share Purchase Plan
c/o Computershare Trust Company of Canada
1500 University Avenue, 7th Floor
Montreal, QC H3A 3S8
Telephone: 1-866-586-7638

22 Administrative and Interpretation of the Plan

22.1 The Plan shall be administered by the Board. The Board may from time to time adopt such policies, guidelines, rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate any of its powers in that capacity to a committee of the Board or an officer or officers of the Corporation.

22.2 Determinations of the Board (or a duly appointed committee or individual thereof) as to any questions which may arise with respect to the interpretation of the provisions of the Plan shall be final and binding on all Participants.

22.3 In any case where the strict application of any provision of the Plan may cause hardship to a Participant, the Board (or a duly appointed committee or individual thereof) may in its sole discretion waive or partially waive such strict application, on such terms as it deems appropriate, provided that such a waiver shall not constitute a general waiver of such provision.

22.4 The Participating Companies shall not be liable under the Plan, except in the case of willful misconduct, for any act or for any omission to act including, any claims of liability with respect to the price at which Shares are acquired for the Participant's Account.

22.5 Neither the Corporation, Participating Companies nor the Administrative Agent shall be liable to any Participant for any loss resulting from a decline in the market value of any Shares purchased by a Participant pursuant to the Plan; any change in market price of the Shares between the time of an Employee Contribution or an Employer Contribution and the time a purchase of Shares using such Contributions takes place; and any change in the market price of the Shares between the time any dividends are paid in respect of the Shares and the time a purchase of Shares using such dividends takes place.

23 Governing Law

23.1 This Plan will be governed and construed in accordance with the laws of the Province of Newfoundland & Labrador and the laws of Canada applicable therein.

24 **Effective Date**

24.1 The Plan is effective as of ■, 2012. The first Investment Date under this Plan is ■, 2012.

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:



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130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario
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www.kingsdaleshareholder.com

North American Toll Free Phone:

1-888-518-6828

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

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