



**NOTICE OF MEETING OF THE
HOLDERS OF SUBSCRIPTION RECEIPTS**

NOTICE IS HEREBY GIVEN that a meeting (the "**Meeting**") of the holders of the subscription receipts (the "**Subscription Receipts**") issued by Fortis Inc. ("**Fortis**" or the "**Corporation**") and governed pursuant to the subscription receipt agreement dated as of June 27, 2012 (the "**Subscription Receipt Agreement**") between Fortis and CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc., in their capacity as the lead underwriters in connection with the offering of the Subscription Receipts, and Computershare Trust Company of Canada, in its capacity as the subscription receipt agent (the "**Subscription Receipt Agent**"), will be held at the offices of Davies Ward Phillips & Vineberg LLP located on the 40th floor at 155 Wellington Street West, Toronto, Ontario, Canada at 10:00 a.m. (Toronto time) on June 20, 2013 for the following purpose:

1. to consider and, if deemed advisable, pass an extraordinary resolution (the "**Subscription Receipt Agreement Amendment Resolution**") to amend the Subscription Receipt Agreement to extend the deadline applicable to the Subscription Receipts from 5:00 p.m. (Toronto time) on June 30, 2013 until 5:00 p.m. (Toronto time) on August 30, 2013, as more fully described in the accompanying management information circular (the "**Circular**"); and
2. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The Circular provides full particulars of the matters to be dealt with at the Meeting and forms part of this notice. The full text of the Subscription Receipt Agreement Amendment Resolution is set out under the sub-heading "Amendment to the Subscription Receipt Agreement" in the Circular.

The board of directors of the Corporation (the "**Board of Directors**") has fixed the record date as of May 21, 2013 (the "**Record Date**") for the purpose of determining the holders of Subscription Receipts entitled to receive notice of and to vote at the Meeting or any adjournment or postponement thereof. Each holder of Subscription Receipts on the Record Date will have one vote in respect of the Subscription Receipt Agreement Amendment Resolution for each Subscription Receipt held by such person as at the close of business on the Record Date.

The Subscription Receipt Agreement Amendment Resolution must receive affirmative votes from holders of Subscription Receipts holding not less than 66⅔% of the issued and outstanding Subscription Receipts present or represented by proxy at the Meeting, or any adjournment or postponement thereof, to be passed. If the Subscription Receipt Agreement Amendment Resolution is passed in accordance with the provisions of the Subscription Receipt Agreement at the Meeting, or any adjournment or postponement thereof, it will be binding upon all the holders of Subscription Receipts, whether present at or absent from the Meeting, and the Subscription Receipt Agent will be bound to give effect to the Subscription Receipt Agreement Amendment Resolution.

Only the registered holder of the Subscription Receipts or its duly appointed proxy nominees are permitted to attend in person and vote at the Meeting. All of the issued and outstanding Subscription Receipts are registered in the name of CDS & Co., as nominee of CDS Clearing and Depository Services Inc. ("CDS"), pursuant to the book-entry system operated by CDS (the "**Book-Entry System**"). The global certificate representing all of the issued and outstanding Subscription Receipts is held by CDS on behalf of various dealers, brokers or other participants in the Book-Entry System (each, an "**Intermediary**") who in turn hold the Subscription Receipts (either directly or indirectly through one or more other Intermediaries) for their respective customers and accounts, who are the beneficial owners of the Subscription Receipts (each, a "**Beneficial Owner**").

Beneficial Owners who receive materials directly from Fortis and its agents may vote their Subscription Receipts by following the instructions set out in the accompanying voting instruction form and Circular. Beneficial Owners who receive materials through an Intermediary must follow the instructions provided by the Intermediary with this notice and the accompanying Circular in order to vote their Subscription Receipts at the Meeting. Beneficial Owners who do not complete and return the materials provided by an Intermediary in accordance with such Intermediary's instructions may lose the right to vote at the Meeting, either in person or by proxy.

Holders of Subscription Receipts with any questions regarding the deposit of proxies or other voting procedures in connection with the Meeting, should contact Kingsdale Shareholder Services Inc. by telephone at 1-888-518-6828 (toll-free in North America) or at 1-416-867-2272 (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com.

DATED at St. John's, Newfoundland and Labrador, this 27th day of May, 2013.

By Order of the Board of Directors,



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



MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular (the "Circular") is being furnished in connection with the solicitation of proxies by or on behalf of the management (the "Management") of Fortis Inc. ("Fortis" or the "Corporation") for use at the meeting (the "Meeting") of the holders of the subscription receipts (the "Subscription Receipts") issued by Fortis and governed pursuant to the subscription receipt agreement dated as of June 27, 2012 (the "Subscription Receipt Agreement") between Fortis and CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc., in their capacity as the lead underwriters in connection with the offering of the Subscription Receipts (collectively, the "Lead Underwriters"), and Computershare Trust Company of Canada, in its capacity as the subscription receipt agent (the "Subscription Receipt Agent"), to be held at the offices of Davies Ward Phillips & Vineberg LLP located on the 40th floor at 155 Wellington Street West, Toronto, Ontario, Canada at 10:00 a.m. (Toronto time) on June 20, 2013, or at any adjournment or postponement thereof, for the purpose set forth in the notice of meeting (the "Notice of Meeting") accompanying this Circular. Except as otherwise stated, the information contained in this Circular is given as of May 27, 2013 and all currency amounts are stated in Canadian dollars. Capitalized terms used but not otherwise defined in this Circular have the respective meanings given to such terms in the Subscription Receipt Agreement.

It is expected that the solicitation of proxies will be primarily effected by mail. Proxies may, however, also be solicited personally, by telephone, e-mail, Internet, facsimile or other means of communication by officers, employees and agents of the Corporation. The cost of such solicitation will be borne by Fortis, and Fortis will reimburse its agents for permitted fees and costs incurred by them in mailing soliciting materials to the Beneficial Owners (as such term is defined below) of Subscription Receipts.

Fortis has also retained Kingsdale Shareholder Services Inc. ("**Kingsdale**") to solicit proxies and to otherwise assist in communicating with holders of Subscription Receipts in connection with the matters to be acted upon at the Meeting. Kingsdale is expected to receive a fee of approximately \$45,000 in connection with these services and will be reimbursed for its reasonable out-of-pocket expenses.

Holders of Subscription Receipts with any questions regarding the deposit of proxies or other voting procedures in connection with the Meeting, should contact Kingsdale by telephone at 1-888-518-6828 (toll-free in North America) or at 1-416-867-2272 (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com.

Fortis will not be sending proxy-related materials in connection with the Meeting to either the registered holder of the Subscription Receipts or Beneficial Owners using the notice-and-access delivery procedures set out in National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") of the Canadian Securities Administrators.

APPOINTMENT AND REVOCATION OF PROXIES

Each person named in the form of proxy or voting instruction form accompanying this Circular is an executive officer of the Corporation and will represent Management at the Meeting. **A holder of Subscription Receipts has the right to appoint a person (who need not be a holder of Subscription Receipts), other than the Management nominees designated in the enclosed form of proxy or voting instruction form, to represent such holder of Subscription Receipts at the Meeting. Such right may be exercised by inserting the desired person's name in the blank space provided on the form of proxy or voting instruction form, as applicable.**

A holder of Subscription Receipts who has deposited a proxy for use at the Meeting may revoke such proxy at any time prior to its use. In addition to the revocation of a proxy in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing, including another proxy, duly executed by the holder of Subscription Receipts or his or her attorney authorized in writing, or, if the holder of Subscription Receipts is a corporation, executed under its corporate seal or by a duly authorized officer thereof, and deposited with the Subscription Receipt Agent as provided below.

Only the registered holder of the Subscription Receipts has the right to revoke a proxy in the manner described above. If you are a Beneficial Owner and wish to change your vote, you must arrange for the Subscription Receipt Agent or the Intermediary (as such term is defined below) in whose name your Subscription Receipts are registered, as applicable, to revoke the proxy or voting instructions given on your behalf in accordance with the instructions provided by the Subscription Receipt Agent or such Intermediary. It should be noted that the revocation of proxies or voting instructions by a Beneficial Owner can take several days or even longer to complete and, accordingly, any such revocation should be completed well in advance of the deadline prescribed in the form of proxy or voting instruction form accompanying this Circular, to ensure it is given effect in respect of the Meeting or any postponement or adjournment thereof. See "Beneficial Owners of Subscription Receipts" for additional information on the voting procedures applicable to Beneficial Owners.

DEPOSIT OF PROXIES

In order to appoint a proxy nominee to represent, attend and act on behalf of a holder of Subscription Receipts at the Meeting, such holder of Subscription Receipts must properly complete, sign and deposit the enclosed form of proxy with the Subscription Receipt Agent by mail using the enclosed envelope for such purpose or by personal delivery at the Subscription Receipt Agent's offices located at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada, in each case, no later than 10:00 a.m. (Toronto time) on June 18, 2013 (or, in the event that the Meeting is adjourned or postponed, no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the date fixed for the adjourned or postponed meeting). The time limit for the deposit of proxies may, however, be waived or extended by the Chair of the Meeting at his or her discretion without notice.

DISCRETIONARY AUTHORITY AND VOTING OF PROXIES

The form of proxy or voting instruction form accompanying this Circular, when properly completed and delivered to the Subscription Receipt Agent, confers discretionary authority upon the proxy nominees named therein in respect of amendments to or variations of matters identified in the Notice of Meeting or other matters that may properly come before the Meeting or any adjournment or postponement thereof. As of the date of this Circular, Management is not aware of any such amendments or variations or other matters to come before the Meeting. However, if any amendments, variations or other matters which are not now known to Management should properly come before the Meeting, or any adjournment or postponement thereof, the Subscription Receipts represented by proxies in favour of the Management

nominees named in the enclosed form of proxy or voting instruction form will be voted on such matters in accordance with the best judgment of such proxy nominees.

On any poll that may be called for at the Meeting, or any postponement or adjournment thereof, the Subscription Receipts represented by proxies deposited in favour of the Management nominees named in the enclosed form of proxy or voting instruction form will be voted for or against the extension of the deadline applicable to the Subscription Receipts under the Subscription Receipt Agreement in accordance with the instructions provided by each holder of Subscription Receipts. **In the event that no voting instructions have been provided by a holder of Subscription Receipts, the Subscription Receipts represented by proxies in favour of the Management nominees will be voted in favour of the resolution to amend the Subscription Receipt Agreement to extend the deadline applicable to the Subscription Receipts from 5:00 p.m. (Toronto time) on June 30, 2013 until 5:00 p.m. (Toronto time) on August 30, 2013.**

BENEFICIAL OWNERS OF SUBSCRIPTION RECEIPTS

Only the registered holder of the Subscription Receipts or its duly appointed proxy nominees are permitted to attend in person and vote at the Meeting. All of the issued and outstanding Subscription Receipts are registered in the name of CDS & Co., as nominee of CDS Clearing and Depository Services Inc. ("CDS"), pursuant to the book-entry system operated by CDS (the "**Book-Entry System**"). The global certificate representing all of the issued and outstanding Subscription Receipts is held by CDS on behalf of various dealers, brokers or other participants in the Book-Entry System (each, an "**Intermediary**") who in turn hold the Subscription Receipts (either directly or indirectly through one or more other Intermediaries) for their respective customers and accounts, who are the beneficial owners of the Subscription Receipts (each, a "**Beneficial Owner**"). Subscription Receipts registered in the name of an Intermediary can only be voted upon instructions being provided by the Beneficial Owners. Without specific instructions, Intermediaries are prohibited from voting the Subscription Receipts held on behalf of their clients. Therefore, Beneficial Owners should ensure that instructions in respect of the voting of their Subscription Receipts are communicated to the appropriate person by the appropriate time to be voted at the Meeting or any postponement or adjournment thereof.

Beneficial Owners who have not objected to the Intermediary holding their Subscription Receipts from disclosing certain ownership information about them to the Corporation are referred to as "**NOBOs**", whereas Beneficial Owners who have objected to the Intermediary holding their Subscription Receipts from disclosing ownership information about them to the Corporation are referred to as "**OBOs**". In accordance with the requirements of NI 54-101, the Corporation has elected to send copies of the Notice of Meeting, this Circular and the accompanying form of proxy or voting instruction form (collectively, the "**Meeting Materials**") directly to NOBOs, and indirectly through Intermediaries to OBOs. By choosing to send the Meeting Materials directly to NOBOs, Fortis (and not the Intermediaries holding the Subscription Receipts on behalf of the NOBOs), has assumed responsibility for (i) delivering the Meeting Materials to the NOBOs, and (ii) executing the proper voting instructions provided by the NOBOs. NOBOs are encouraged to complete and return the voting instruction form accompanying this Circular to the Subscription Receipt Agent. The voting instruction form allows for voting by telephone, via the Internet or by mail, depending on the applicable circumstances. NOBOs who wish to vote their Subscription Receipts in person at the Meeting may do so by appointing themselves as the proxy nominee by inserting their own name in the space provided on the voting instruction form accompanying this Circular and following the instructions for the completion and return of the executed voting instruction form.

Intermediaries holding Subscription Receipts on behalf of OBOs are required to forward the Meeting Materials to the OBOs, unless the OBOs have waived their right to receive the Meeting Materials and to provide instructions as to how to vote their Subscription Receipts in respect of the matters to be acted

upon at the Meeting or any adjournment or postponement thereof. Each Intermediary has its own procedures which should be carefully followed by OBOs to ensure that their Subscription Receipts are voted by the Intermediary on their behalf at the Meeting or any adjournment or postponement thereof. These procedures may allow for voting by telephone, via the Internet, by mail and/or by facsimile. The applicable instructions for each such method of voting will be set out in the form of proxy or voting instruction form provided to the OBOs directly by the Intermediaries. The majority of Intermediaries now delegate the responsibility for obtaining instructions from their clients to Broadridge Investor Communications Solutions, Canada and its counterpart in the United States ("**Broadridge**"). Broadridge typically mails voting instruction forms to OBOs and asks them to return the forms to Broadridge. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions to the Subscription Receipt Agent with respect to the voting of the Subscription Receipts to be represented at the Meeting or any adjournment or postponement thereof. An OBO receiving a voting instruction form from Broadridge cannot use such form to vote its Subscription Receipts at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to ensure that the Subscription Receipts are voted at the Meeting or any adjournment or postponement thereof. Each OBO should contact its Intermediary and carefully follow the voting instructions provided by such Intermediary. OBOs who wish to vote their Subscription Receipts in person at the Meeting, should contact their Intermediary and follow their instructions for completion and return of the form of proxy or voting instruction form provided directly by them.

In all cases, Beneficial Owners should carefully follow the instructions in the form of proxy or voting instruction form accompanying this Circular or provided by their Intermediary, as applicable, including those regarding when, where and by what means their voting instructions or form of proxy, as applicable, must be delivered. Properly completed proxies and voting instruction forms must be delivered by the Beneficial Owners or their Intermediaries (or their service companies), as applicable, with the Subscription Receipt Agent no later than 10:00 a.m. (Toronto time) on June 18, 2013 (or, in the event that the Meeting is adjourned or postponed, no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the date fixed for the adjourned or postponed meeting) to be used at the Meeting or any adjournment or postponement thereof.

RECORD DATE

In accordance with applicable laws, the board of directors of the Corporation (the "**Board of Directors**") has fixed the record date as of May 21, 2013 (the "**Record Date**") for the purposes of determining the holders of Subscription Receipts entitled to receive notice of and to vote at the Meeting. Only holders of Subscription Receipts of record at the close of business on the Record Date will be entitled to vote at the Meeting or any adjournment or postponement thereof.

VOTING OF SUBSCRIPTION RECEIPTS AND PRINCIPAL HOLDERS THEREOF

As at the Record Date, Fortis had 18,500,000 issued and outstanding Subscription Receipts. The aggregate number of common shares of Fortis (the "**Common Shares**") issuable to the holders of Subscription Receipts (the "**Underlying Common Shares**") pursuant to the Subscription Receipt Agreement is 18,500,000 Underlying Common Shares. As a result, in accordance with the terms and conditions of the Subscription Receipt Agreement, each holder of Subscription Receipts present in person or represented by proxy at the Meeting, or any adjournment or postponement thereof, will be entitled to one vote in respect of each Subscription Receipt held by such person as at the close of business on the Record Date.

Holders of Subscription Receipts as at the close of business on the Record Date are entitled to receive the Notice of Meeting and vote at the Meeting or any adjournment or postponement thereof. A holder of Subscription Receipts who wishes to be represented by proxy at the Meeting must properly complete and

deliver the enclosed form of proxy or voting instruction from to the Subscription Receipt Agent or the Intermediary in whose name its Subscription Receipts are registered, as applicable, to entitle the proxy nominee appointed by such holder of Subscription Receipts to attend and vote at the Meeting or any adjournment or postponement thereof.

As at the Record Date, no Subscription Receipts were beneficially owned or controlled by the directors or executive officers of the Corporation or their associates or affiliates. To the knowledge of the directors and executive officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, Subscription Receipts carrying 10% or more of the voting rights attached to the Subscription Receipts entitled to vote at the Meeting.

QUORUM AND VOTES NECESSARY TO PASS RESOLUTIONS AT THE MEETING

The Subscription Receipt Agreement provides that the quorum for a meeting of the holders of Subscription Receipts at which an extraordinary resolution, such as the Subscription Receipt Agreement Amendment Resolution (as such term is defined below), is proposed consists of at least two holders of Subscription Receipts present in person or by proxy representing at least 25% of the aggregate number of Underlying Common Shares to be received pursuant to the outstanding Subscription Receipts ("**Quorum**").

In order for the Subscription Receipt Agreement Amendment Resolution to be passed, holders of Subscription Receipts entitled to receive not less than 66 $\frac{2}{3}$ % of the Underlying Common Shares pursuant to the outstanding Subscription Receipts represented in person or by proxy at the Meeting or any adjournment or postponement thereof, must, on a poll, vote in favour of the Subscription Receipt Agreement Amendment Resolution.

PARTICULARS OF MATTER TO BE ACTED UPON AT THE MEETING

Amendment to Subscription Receipt Agreement

At the Meeting, the holders of Subscription Receipts are being asked to consider and, if deemed advisable, pass an extraordinary resolution (the "**Subscription Receipt Agreement Amendment Resolution**") to amend the definition of "Deadline" set out in the Subscription Receipt Agreement to extend the deadline applicable to the Subscription Receipts from 5:00 p.m. (Toronto time) on June 30, 2013 (the "**Original Deadline**") until 5:00 p.m. (Toronto time) on August 30, 2013 (the "**Extended Deadline**").

The full text of the Subscription Receipt Agreement Amendment Resolution is set out below under the sub-heading "Subscription Receipt Agreement Amendment Resolution".

Background to the Amendment to the Subscription Receipt Agreement

On February 20, 2012, Fortis and certain of its subsidiaries entered into an agreement and plan of merger (the "**Acquisition Agreement**") with CH Energy Group, Inc. ("**CH Energy Group**") pursuant to which an indirect wholly-owned subsidiary of Fortis agreed to acquire all of the issued and outstanding shares in the common stock of CH Energy Group for US\$65.00 in cash per share (the "**Acquisition**"), representing an aggregate purchase price of approximately US\$1.5 billion, including the assumption of approximately US\$500 million in debt on closing. The Acquisition Agreement provides, among other things, that the closing of the Acquisition is subject to CH Energy Group shareholder approval, certain specified regulatory and other approvals, and the satisfaction of customary closing conditions.

CH Energy Group is an energy delivery company headquartered in Poughkeepsie, New York. Its main business, Central Hudson Gas & Electric Corporation ("**Central Hudson**"), is a regulated transmission and distribution utility serving approximately 300,000 electric and 75,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley. CH Energy Group also owns and operates Central Hudson Enterprises Corporation, a non-regulated subsidiary comprised primarily of a fuel delivery business serving approximately 56,000 customers in the Mid-Atlantic Region. As at December 31, 2012, CH Energy Group's total assets were approximately US\$1.8 billion and its operating revenues and net income for 2012 totalled approximately US\$925 million and US\$39 million, respectively.

The business operated by CH Energy Group is attractive to Fortis for the following reasons:

- (a) the Acquisition enables Fortis to enter into the U.S. regulated electric and gas distribution business with a reasonably sized utility;
- (b) based on the terms of the current Settlement Agreement (as such term is defined below), the Acquisition is expected to be accretive to earnings per Common Share within the first full year of ownership, excluding Acquisition-related expenses;
- (c) CH Energy Group has a strong balance sheet and Central Hudson has strong investment-grade credit ratings;
- (d) Central Hudson, a single-state utility, operates a well-maintained electric and gas distribution system, serving a diversified, primarily residential and commercial customer base;
- (e) similar to the electric distribution utilities of Fortis, Central Hudson operates principally under cost-of-service regulation. The utility has earned stable returns and is allowed timely recovery of costs related to purchased electricity and natural gas supply, transmission and capital programs. Other positive mechanisms include full recovery and deferral provisions for pension and other post-retirement benefit expense, manufactured gas plant site remediation and revenue decoupling mechanisms. For the three years beginning on July 1, 2010, Central Hudson's rates have been established using a 10% return on equity and a capital structure containing 48% common equity;
- (f) Central Hudson's continued investment in its electric and gas businesses is expected to result in attractive rate base growth; and
- (g) the Acquisition increases diversification of the Corporation's regulated assets and earnings by geographic location and regulatory jurisdiction.

In April 2012, applications were filed with both the New York State Public Service Commission (the "**NYSPSC**") and the Federal Energy Regulatory Commission (the "**FERC**") seeking regulatory approval in respect of the Acquisition.

On June 19, 2012, the shareholders of CH Energy Group approved the Acquisition at a special meeting held for such purpose, with 92% of the shares casting votes in favour of the Acquisition.

In order to finance a portion of the aggregate cash consideration payable in connection with the Acquisition, Fortis issued and sold 18,500,000 Subscription Receipts at a price of \$32.50 per Subscription Receipt on June 27, 2012 and entered into the Subscription Receipt Agreement with the Lead Underwriters and the Subscription Receipt Agent. The aggregate proceeds from the sale of Subscription

Receipts was \$601.25 million (the "**Subscription Receipt Proceeds**"), which amount was delivered to the Subscription Receipt Agent in trust and invested in accordance with the provisions of the Subscription Receipt Agreement, pending the receipt by the Corporation of all regulatory and government approvals or consents required to finalize the Acquisition and the fulfilment or waiver of all other closing conditions set out in the Acquisition Agreement (collectively, the "**Release Conditions**").

In July 2012, the Acquisition was approved by the FERC and the Committee on Foreign Investment in the United States. On October 4, 2012, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, expired in respect of the Acquisition. Approval of the Acquisition by the NYSPSC is currently the only significant outstanding condition to the closing of the Acquisition and the satisfaction of the Release Conditions.

In January 2013, a settlement agreement (the "**Settlement Agreement**") in respect of the Acquisition was entered into among Fortis, CH Energy Group, NYSPSC staff, certain registered interveners and various other interested parties, and was filed with the NYSPSC for approval. The parties submitted that, based on the terms and conditions of the Settlement Agreement, the Acquisition is in the public interest and recommended that it be approved by the NYSPSC. The Settlement Agreement provides for, among other things, approximately US\$50 million in direct economic benefits to the Central Hudson customers.

On February 21, 2013, public information sessions concerning the Settlement Agreement were held in Poughkeepsie and Kingston, New York. The public comment period in respect of the Settlement Agreement originally called for all submissions to be provided by March 21, 2013, but was extended by the NYSPSC until May 1, 2013. During the extended comment period, additional public information sessions were held on April 17 and 18, 2013 in Poughkeepsie and Kingston, respectively.

On May 3, 2013, the administrative law judges assigned to review the Settlement Agreement issued a recommended decision (the "**Recommended Decision**") asserting that, without modification of the terms of the Settlement Agreement, the benefits of the Acquisition would be outweighed by the perceived detriments remaining after mitigation. The Recommended Decision is an advisory opinion that will be considered by the NYSPSC in determining whether to approve the Acquisition.

Since the issuance of the Recommended Decision, Fortis and CH Energy Group have launched a public relations campaign to promote the benefits of the Acquisition and have been in discussions with various stakeholders in order to obtain the NYSPSC's approval of the Acquisition.

On May 17, 2013, Fortis, CH Energy Group and certain of their affiliates filed written submissions to the NYSPSC in response to the Recommended Decision. Additional submissions were subsequently filed on behalf of various public interest groups, local municipalities and other interveners during the period up to May 24, 2013, including by Local 320 of the International Brotherhood of Electrical Workers, which has endorsed the Settlement Agreement and the Acquisition.

Fortis currently expects that the NYSPSC will approve the Acquisition and that the Acquisition will close in June 2013. However, there can be no assurance that such approval will be obtained or that it will be obtained prior to the Original Deadline. Accordingly, Fortis is seeking an extension of the Original Deadline in order to accommodate the possibility that NYSPSC approval may be obtained following the Original Deadline.

The Subscription Receipt Agreement currently provides that if the Release Conditions are satisfied prior to the Original Deadline, the holders of Subscription Receipts will receive: (i) one Common Share for each Subscription Receipt held; and (ii) a cash payment per Subscription Receipt held equal to the aggregate amount of cash dividends declared per Common Share for which record dates have occurred between June 27, 2012 to the date of issuance of the Underlying Common Shares pursuant to the

Subscription Receipt Agreement (the "**Dividend Equivalent Payment**"), less any applicable withholding taxes. As at May 27, 2013, the Dividend Equivalent Payment was \$1.22 per Subscription Receipt. As at May 24, 2013, the closing price of the Common Shares on the Toronto Stock Exchange (the "**TSX**") was \$33.63. See "Information Regarding the Securities of Fortis – Dividends" for additional information on the Dividend Equivalent Payment.

Alternatively, the Subscription Receipt Agreement currently provides that if the Release Conditions are not satisfied prior to the Original Deadline or the Acquisition Agreement is terminated, the holders of Subscription Receipts will receive: (i) the full subscription price of \$32.50 paid in respect of each Subscription Receipt; and (ii) their *pro rata* share of the interest earned and yield generated on the investment of the Subscription Receipt Proceeds (the "**Earned Interest**"). As of May 21, 2013, the aggregate amount of Earned Interest was approximately \$6.1 million, or approximately \$0.33 per Subscription Receipt.

The extension of the Original Deadline until the Extended Deadline will provide the Corporation with additional time to obtain the NYSPSC's approval of the Acquisition and satisfy any remaining Release Conditions, thereby decreasing the possibility of the Subscription Receipt Proceeds, with Earned Interest, being returned to the holders of Subscription Receipts. If the Subscription Receipt Proceeds are required to be returned to the holders of Subscription Receipts and the Acquisition is subsequently approved by the NYSPSC, Fortis may pursue alternative sources of capital markets financing to fund a portion of the aggregate cash consideration payable in connection with the Acquisition.

If the closing of the Acquisition has not occurred on or prior to August 20, 2013, Fortis and CH Energy Group will each have the unilateral right to terminate the Acquisition Agreement in accordance with its terms. Notwithstanding the foregoing, Fortis has selected 5:00 p.m. (Toronto time) on August 30, 2013 as the Extended Deadline in order to provide adequate time to effect the closing of the Acquisition should the approval of the NYSPSC be obtained on or around August 20, 2013.

Effect of the Amendment to the Subscription Receipt Agreement

If the holders of Subscription Receipts pass the Subscription Receipt Agreement Amendment Resolution, the Subscription Receipt Agreement will be amended such that the Release Conditions, including obtaining the NYSPSC's approval in respect of the Acquisition, will be required to be satisfied or waived by the Extended Deadline instead of the Original Deadline. The approval of the Subscription Receipt Agreement Amendment Resolution will not result in any other changes to the terms of the Subscription Receipt Agreement.

Accordingly, if the Release Conditions are satisfied prior to the Extended Deadline, the holders of Subscription Receipts will receive: (i) one Common Share for each Subscription Receipt held; and (ii) a Dividend Equivalent Payment of not less than \$1.22 per Subscription Receipt, less any applicable withholding taxes. See "Information Regarding the Securities of Fortis – Dividends".

In addition, Fortis will receive, in accordance with the provisions of the Subscription Receipt Agreement, an amount equal to the Subscription Receipt Proceeds less (a) the amount by which the aggregate Dividend Equivalent Payment exceeds the Earned Interest and less (b) \$12,025,000, being the remaining portion of the Underwriters' fee payable upon the satisfaction of the Release Conditions.

Alternatively, if the Release Conditions are not satisfied prior to the Extended Deadline or the Acquisition Agreement is terminated, the holders of Subscription Receipts will receive: (i) \$32.50 in respect of each Subscription Receipt; and (ii) their *pro rata* share of the Earned Interest as of the Extended Deadline or date of termination, as applicable.

Even if holders of Subscription Receipts approve the Subscription Receipt Agreement Amendment Resolution at the Meeting or any adjournment or postponement thereof, there can be no assurance that the NYSPSC will approve the Acquisition or that the Acquisition will be completed prior to the Extended Deadline or at all.

Additional Information

Additional details concerning the Acquisition and the Subscription Receipts, including copies of the Acquisition Agreement and the Subscription Receipt Agreement, have been disclosed by the Corporation and are available under the Corporation's issuer profile on SEDAR at www.sedar.com.

All submissions, comments, transcripts of proceedings, decisions and all other documents and correspondences filed with the NYSPSC in connection with its review of the Acquisition, including copies of the Settlement Agreement and the Recommended Decision, are available under the heading "Comments Sought on Fortis Proposed Acquisition of Central Hudson" on the NYSPSC's public website at www.dps.ny.gov.

Subscription Receipt Agreement Amendment Resolution

For the reasons described above, the Board of Directors unanimously recommends that the holders of Subscription Receipts vote "**FOR**" the following extraordinary resolution, which in accordance with the Subscription Receipt Agreement must be approved by the holders of Subscription Receipts holding not less than 66 $\frac{2}{3}$ % of the issued and outstanding Subscription Receipts present or represented by proxy at the Meeting and voted upon on a poll:

BE IT RESOLVED THAT:

1. The defined term "Deadline" contained in Section 1.1 of the Subscription Receipt Agreement be deleted in its entirety and replaced with the following:

""**Deadline**" means 5:00 p.m. (Toronto time) on August 30, 2013;"
2. Fortis, the Lead Underwriters and the Subscription Receipt Agent be and are hereby authorized and directed to execute and deliver an amending agreement to give effect to the amendments to the Subscription Receipt Agreement approved in these resolutions.
3. Fortis, the Lead Underwriters and the Subscription Receipt Agent be and are hereby authorized and directed to execute, or cause to be executed, and to deliver all such agreements, instruments and documents, and to perform and do, or cause to be done, all such other acts and things as they may deem to be necessary or advisable for the purpose of giving effect to the foregoing resolutions.

<p>THE BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT IT IS IN THE BEST INTERESTS OF THE HOLDERS OF SUBSCRIPTION RECEIPTS TO AMEND THE SUBSCRIPTION RECEIPT AGREEMENT TO EXTEND THE DEADLINE APPLICABLE TO THE SUBSCRIPTION RECEIPTS FROM 5:00 P.M. (TORONTO TIME) ON JUNE 30, 2013 UNTIL AUGUST 30, 2013 AND THEREFORE RECOMMENDS THAT HOLDERS OF SUBSCRIPTION RECEIPTS VOTE <u>FOR</u> THE SUBSCRIPTION RECEIPT AGREEMENT AMENDMENT RESOLUTION.</p>
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INFORMATION REGARDING THE SECURITIES OF FORTIS

Authorized Share Capital

The authorized share 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 at May 21, 2013, the following Common Shares and First Preference Shares of Fortis were issued and outstanding and were respectively listed and posted for trading on the TSX under the symbols set out below:

	Issued and Outstanding	Symbol TSX
Common Shares	192,655,067	FTS
First Preference Shares, Series C ¹	5,000,000	FTS.PR.C
First Preference Shares, Series E	7,993,500	FTS.PR.E
First Preference Shares, Series F	5,000,000	FTS.PR.F
First Preference Shares, Series G	9,200,000	FTS.PR.G
First Preference Shares, Series H	10,000,000	FTS.PR.H
First Preference Shares, Series J	8,000,000	FTS.PR.J

¹ The First Preference Shares, Series C will be redeemed in accordance with their terms on July 10, 2013 pursuant to a notice of redemption delivered by Fortis on May 13, 2013.

Trading Price and Volume of Common Shares

The following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Common Shares on the TSX.

	High (\$)	Low (\$)	Volume (#)
May 1 to May 21, 2013.....	35.14	33.42	7,606,074
April 2013.....	35.08	33.06	9,634,522
March 2013.....	34.29	33.21	9,213,786
February 2013.....	34.89	32.89	8,565,427
January 2013.....	34.85	33.92	7,028,930
December 2012.....	34.35	32.83	9,203,571
November 2012.....	34.20	32.40	7,284,164
October 2012.....	33.93	33.01	7,237,611
September 2012.....	33.54	32.45	8,7145,37
August 2012.....	34.03	32.38	7,323,690
July 2012.....	33.54	32.27	5,854,206
June 2012.....	34.00	32.03	12,638,137

Trading Price and Volume of Subscription Receipts

As at the Record Date, Fortis had 18,500,000 Subscription Receipts issued and outstanding. The Subscription Receipts are listed and posted for trading on the TSX under the symbol "FTS.R". The

following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Subscription Receipts on the TSX.

	High (\$)	Low (\$)	Volume (#)
May 1 to May 21, 2013.....	35.40	33.25	759,502
April 2013.....	35.31	33.64	331,471
March 2013.....	34.87	33.89	868,842
February 2013.....	35.10	32.25	451,480
January 2013.....	35.02	33.94	1,182,323
December 2012.....	34.50	32.64	824,408
November 2012.....	33.70	32.30	591,342
October 2012.....	33.44	32.34	705,085
September 2012.....	32.77	31.68	549,750
August 2012.....	32.85	31.70	1,035,164
July 2012.....	32.49	31.33	1,806,901
June 27 to 30, 2012.....	32.20	31.18	972,550

Dividends

Dividends on the Common Shares are declared at the discretion of the Board of Directors. The Corporation paid cash dividends on its Common Shares of \$1.20 in 2012, \$1.16 in 2011 and \$1.12 in 2010. The table below sets forth the cash dividends declared on the Common Shares for which record dates have occurred between June 27, 2012 and May 27, 2013.

A dividend of \$0.31 has been declared on the Common Shares for Q3 2013 with a record date of August 16, 2013. If: (i) the Subscription Receipt Agreement Amendment Resolution is approved by the holders of Subscription Receipts at the Meeting or any adjournment or postponement thereof; (ii) the Subscription Receipts continue to be outstanding on August 16, 2013; and (iii) the Release Conditions are satisfied on or after such date, but prior to the Extended Deadline, the Dividend Equivalent Payment will be \$1.53, less any applicable withholding taxes. Subject to the foregoing, the Dividend Equivalent Payment will be \$1.22, the aggregate amount of the dividends set out in the table below, less any applicable withholding taxes.

	Dividend (\$)	Record Date	Payment Date
Q2 2013	0.31	May 17, 2013	June 1, 2013
Q1 2013	0.31	February 14, 2013	March 1, 2013
Q4 2012	0.30	November 16, 2012	December 1, 2012
Q3 2012	0.30	August 17, 2012	September 1, 2012
Total	\$1.22		

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including copies of its most recent audited consolidated financial statements for the year ended December 31, 2012 and its unaudited interim consolidated financial statements for the three month period ended March 31, 2012 and the related management's discussion and analysis thereon, may be obtained under the Corporation's issuer profile on

SEDAR at www.sedar.com, or by contacting the Corporation directly by e-mail at investorrelations@fortisinc.com or by telephone at (709) 737-2800. Holders of Subscription Receipts who require additional information relating to the Subscription Receipt Agreement Amendment Resolution may contact Ronald W. McCabe, Vice President, General Counsel and Corporate Secretary of the Corporation at (709) 737-2800.

Holders of Subscription Receipts with any questions regarding the deposit of proxies or other voting procedures in connection with the Meeting, should contact Kingsdale by telephone at 1-888-518-6828 (toll-free in North America) or at 1-416-867-2272 (collect calls accepted), or by e-mail at contactus@kingsdaleshareholder.com.

FORWARD-LOOKING INFORMATION

Certain information contained in this Circular is "forward-looking information", which reflects Management's expectations regarding the Corporation's growth, operations, performance and business prospects and opportunities. The words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate" and "expect" and similar expressions are often used to identify forward-looking information. Such forward-looking information reflects Management's current beliefs based on information currently available, and involve significant risks and uncertainties. Forward-looking information should not be read as a guarantee of future performance, results or events, and will not necessarily be accurate indications of whether or the times at which such performance, results or events will be achieved. Further details concerning these and other risks and uncertainties applicable to the matters discussed in this Circular and, more generally, to Fortis and its business are set out in the Corporation's continuous disclosure materials filed from time to time on under the Corporation's issuer profile on SEDAR at www.sedar.com, to which reference should be made. Fortis assumes no obligation to update or revise forward-looking information to reflect new events or circumstances, except as required by applicable law.

DATED at St. John's, Newfoundland and Labrador, this 27th day of May, 2013.

By Order of the Board of Directors,



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

Any questions and requests for assistance may be directed to:



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