

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

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Company at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800) or by accessing the Company's disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of the Company at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). The securities being offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, except in limited circumstances, will not be offered or sold within the United States to or for the account or benefit of United States persons. See "Plan of Distribution".

New Issue

May 26, 2003

SHORT FORM PROSPECTUS

FORTIS INC.

FORTIS

\$125,000,000

5,000,000 FIRST PREFERENCE SHARES, SERIES C

This short form prospectus (the "Prospectus") qualifies for distribution 5,000,000 cumulative redeemable convertible first preference shares, series C (the "Series C First Preference Shares") of Fortis Inc. ("Fortis" or the "Company"), of which 1,000,000 Series C First Preference Shares are being issued pursuant to an option granted to the Underwriters which was exercised in full on May 26, 2003.

The Series C First Preference Shares of the Company will be entitled to fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Company at a rate of \$1.3625 per share per annum, to accrue from the date of original issue, payable in equal quarterly instalments on the first day of March, June, September and December of each year. Assuming an issue date of June 3, 2003, the first dividend will be payable as of September 1, 2003 in the amount of \$0.3360 per Series C First Preference Share.

On or after June 1, 2010, the Company may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash the Series C First Preference Shares, in whole at any time or in part from time to time, at \$25.75 per share if redeemed before June 1, 2011, at \$25.50 per share if redeemed on or after June 1, 2011, but before June 1, 2012, at \$25.25 per share if redeemed on or after June 1, 2012, but before June 1, 2013, and at \$25.00 per share if redeemed on or after June 1, 2013, plus in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

On or after June 1, 2010, the Company may, at its option, upon not less than 30 days and not more than 60 days prior written notice, subject to applicable law including, if required, stock exchange approvals, convert all, or from time to time any part of, the outstanding Series C First Preference Shares into fully-paid and freely-tradeable common shares of the Company (the "Common Shares"). The number of Common Shares into which each Series C First Preference Share may be so converted will be determined by dividing the then applicable redemption price per Series C First Preference Share, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the then Current Market Price (as defined herein) of the Common Shares at such time. See "Details of the Offering".

On or after September 1, 2013, upon not less than 30 and not more than 60 days prior written notice, each Series C First Preference Share will be convertible at the option of the holder on the first day of September, December, March and June of each year into that number of fully-paid and freely-tradeable Common Shares determined by dividing \$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the then Current Market Price (as defined herein) of the Common Shares. If a holder of Series C First Preference Shares elects to convert any of such shares into Common Shares, the Company may, on not less than 20 days written notice prior to the conversion date, elect to redeem such Series C First Preference Shares for cash or arrange for the sale of those shares to substitute purchasers. See "Details of the Offering".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series C First Preference Shares. Listing will be subject to the Company fulfilling all the listing requirements of the TSX on or before August 12, 2003.

Investing in the Series C First Preference Shares involves risks, certain of which are described under the heading "Business Risk Management" on pages 41 through 43 of the Management Discussion and Analysis for the year ended December 31, 2002 contained in the Company's Annual Report.

Price: \$25.00 per Series C First Preference Share

	Price to the Public	Underwriters' Fee (1)	Net Proceeds to Fortis (2)
Per Series C First Preference Share	\$25.00	\$0.75	\$24.25
Total	\$125,000,000	\$3,750,000	\$121,250,000

(1) The Underwriters' fee for the Series C First Preference Shares is \$0.25 for each such share sold to institutions and \$0.75 per share for all other Series C First Preference Shares purchased by the Underwriters. The Underwriters' fee indicated in the table assumes that no Series C First Preference Shares are sold to institutions.

(2) Before deducting expenses of the offering estimated at \$300,000 which, together with the Underwriters' fees, will be paid out of the general funds of Fortis. See "Plan of Distribution".

Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. and Beacon Securities Limited are acting as underwriters (the “Underwriters”) of this offering.

Scotia Capital Inc. is a subsidiary of a Canadian chartered bank that has extended credit facilities to the Company and certain of its affiliates. The net proceeds from this offering will be used to repay short term indebtedness owing by the Company to this bank. Accordingly, under certain circumstances, the Company may be considered a “connected issuer” of Scotia Capital Inc. under applicable securities legislation. See “Plan of Distribution”.

The Underwriters, as principals, conditionally offer the Series C First Preference Shares, subject to prior sale, if, as and when issued by Fortis and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Davies Ward Phillips & Vineberg LLP, Toronto and Curtis, Dawe, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. Subscriptions for the Series C First Preference Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about June 3, 2003 (the “Closing Date”), or such other date as may be agreed upon by the Company and the Underwriters, but not later than June 17, 2003. A book entry only certificate representing the Series C First Preference Shares distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the Closing Date. The Company understands that a purchaser of Series C First Preference Shares will receive only a customer confirmation from the registered dealer who is a CDS participant (“CDS Participant”) from or through whom the Series C First Preference Shares are purchased.

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DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) Annual Information Form dated April 15, 2003;
- (b) Audited comparative consolidated financial statements for the years ended December 31, 2001 and 2002 together with the notes thereto and the auditors' report thereon as contained in the Company's 2002 Annual Report;
- (c) Management Discussion and Analysis of financial condition and results of operations contained in the Company's 2002 Annual Report;
- (d) Management Information Circular dated March 31, 2003 prepared in connection with the Company's annual meeting of shareholders held on May 14, 2003, excluding those portions thereof which appear under the headings "Performance Chart", "Report on Corporate Governance" and "Report on Executive Compensation";
- (e) Unaudited financial statements for the quarter ended March 31, 2003; and
- (f) Material change report dated May 20, 2003 describing the entering into of an agreement between the Company and the Underwriters in respect of the offering of the Series C First Preference Shares pursuant to this Prospectus.

Any document of the type referred to in the preceding paragraph and any material change report (excluding confidential reports) subsequently filed by the Company with such securities commissions or regulatory authorities after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into this Prospectus.

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

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Company at Suite 1201, 139 Water Street, St. John's, Newfoundland and Labrador A1B 3T2 (telephone (709) 737-2800). These documents are also available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

ELIGIBILITY FOR INVESTMENT

The Series C First Preference Shares will not, as of the date of issue, be precluded as investments under the statutes listed below and, where applicable, the relevant regulations, in each case subject to general investment provisions and in certain cases subject to prudent investment requirements and requirements relating to investment or lending policies or goals:

<i>Insurance Companies Act</i> (Canada)	<i>an Act respecting insurance</i> (Québec) for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a guarantee fund
<i>Trust and Loan Companies Act</i> (Canada)	
<i>Pension Benefits Standards Act, 1985</i> (Canada)	
<i>Pension Benefits Act</i> (Ontario)	
<i>Loan and Trust Corporations Act</i> (Ontario)	<i>an Act respecting trust companies and savings companies</i> (Québec) for a trust company or savings company, as defined therein, which invests its own funds
<i>Insurance Act</i> (Ontario)	<i>Supplemental Pension Plans Act</i> (Québec) for an insured plan, as defined therein

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, the Series C First Preference Shares and the Common Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) for a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered education savings plan. The Series C First Preference Shares and the Common Shares, if issued on the date hereof, would not constitute “foreign property” for the purposes of Part XI of the Tax Act.

SUMMARY OF THE OFFERING

This summary is qualified by the more detailed information appearing elsewhere in this Prospectus. Unless otherwise noted or the context otherwise indicates, the term "Company" refers to Fortis Inc.

Issue:	5,000,000 Cumulative Redeemable Convertible First Preference Shares, Series C.
Amount:	\$125,000,000.
Price:	\$25.00 per Series C First Preference Share.
Dividends:	The holders of the Series C First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Company, in an amount equal to \$1.3625 per share per annum, payable in equal quarterly instalments on the first day of March, June, September and December of each year. Assuming an issue date of June 3, 2003, the first such dividend will be payable on September 1, 2003 in the amount of \$0.3360 per share.
Redemption:	The Series C First Preference Shares are not redeemable before June 1, 2010. On or after that date, the Series C First Preference Shares are redeemable by the Company on at least 30 and not more than 60 days prior written notice, at \$25.75 per share if redeemed before June 1, 2011, at \$25.50 per share if redeemed on or after June 1, 2011 but before June 1, 2012, at \$25.25 per share if redeemed on or after June 1, 2012 but before June 1, 2013, and at \$25.00 per share thereafter, plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.
Purchase for Cancellation:	Subject to applicable law, the Company will be entitled to purchase Series C First Preference Shares for cancellation in the open market or by private agreement or otherwise at the lowest price or prices at which, in the opinion of the board of directors of the Company, such shares are obtainable.
Conversion by the Company:	On or after June 1, 2010, the Series C First Preference Shares are convertible at the option of the Company subject to applicable law including, if required, stock exchange approval, on at least 30 days and not more than 60 days prior written notice into that number of fully-paid and freely-tradeable Common Shares determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the weighted average trading price of the Common Shares on the TSX for a period of 20 consecutive trading days ending on the fourth day prior to the date specified for conversion, or, if that fourth day is not a trading day, on the immediately preceding trading day (the "Current Market Price").
Conversion by the Holder:	On or after September 1, 2013, the Series C First Preference Shares are convertible at the option of the holder on at least 30 days and not more than 60 days prior written notice on the first day of September, December, March and June of each year into that number of fully-paid and freely-tradeable Common Shares determined by dividing \$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the then Current Market Price. If a holder of Series C First Preference Shares elects to convert any of such shares into Common Shares, the Company may, on not less than 20 days written notice prior to the conversion date, elect to redeem such

Series C First Preference Shares for cash or arrange for the sale of those shares to substitute purchasers.

Priority:

The Series C First Preference Shares rank senior to all other shares of the Company and pari passu with any other series of First Preference Shares of the Company with respect to priority to the payment of dividends and the distribution of assets on the dissolution, liquidation or winding-up of the Company.

Voting Rights:

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

Ratings:

Dominion Bond Rating Service Limited: Pfd-3 (high). Standard & Poor's: P-2/CreditWatch Negative. Standard & Poor's has announced that it has placed several Canadian utility companies (including the Company) on credit watch with negative implications, pending a review of the various regulatory environments in which the utilities operate.

Tax on Preference Share Dividends:

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

Listing:

The TSX has conditionally approved the listing of the Series C First Preference Shares. Listing will be subject to the Company fulfilling all the listing requirements of the TSX on or before August 12, 2003.

Earnings Coverage:

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

Book Entry Only System

Registration of interests in and transfers of the Series C First Preference Shares will be made only through the book entry only system of CDS. Series C First Preference Shares must be purchased, transferred and surrendered for conversion or redemption through a participant in the CDS book entry only system. Beneficial owners of Series C First Preference Shares will not have the right to receive physical certificates evidencing their ownership of such shares.

FORTIS

Fortis Inc. (“Fortis” or the “Company”) was incorporated as 81800 Canada Ltd. under the *Canada Business Corporations Act* on June 28, 1977. The Company was continued under the *Corporations Act* (Newfoundland) on August 28, 1987 and on October 12, 1987 the Company amended its articles to change its name to “Fortis Inc.” The address of the head office and principal place of business of the Company is The Fortis Building, Suite 1201, 139 Water Street, St. John’s, Newfoundland and Labrador A1B 3T2.

Fortis is principally a diversified utility holding company with six electric distribution utility subsidiaries. It holds all the common shares of Newfoundland Power Inc. (“Newfoundland Power”) and, through Fortis Properties Corporation (“Fortis Properties”), holds all the common shares of Maritime Electric Company, Limited (“Maritime Electric”), which are the principal distributors of electricity in the provinces of Newfoundland and Labrador and Prince Edward Island, respectively. Through Maritime Electric, it owns FortisUS Energy Corporation (“FortisUS Energy”), which operates four hydroelectric generating stations in the State of New York. As well, through its wholly-owned subsidiary FortisOntario Inc. (“FortisOntario”) and its subsidiaries Canadian Niagara Power Inc. (“CNPI”), Cornwall Street Railway, Light and Power Company Limited (“Cornwall Electric”) and Eastern Ontario Power Inc. (“Eastern Ontario Power”), Fortis distributes electricity to customers in Fort Erie, Port Colborne, Cornwall and Gananoque, Ontario.

Fortis also owns 100% of Central Newfoundland Energy Inc. (“Central Newfoundland Energy”) whose principal activity is its 51% involvement in the Exploits River Hydro Partnership project. The project is a partnership with Abitibi-Consolidated Inc. (“Abitibi-Consolidated”) to develop additional capacity at Abitibi-Consolidated’s hydroelectric plant at Grand Falls-Windsor and to redevelop Abitibi-Consolidated’s hydroelectric plant at Bishop Falls, both in Newfoundland and Labrador.

Through a wholly-owned subsidiary, Fortis also holds a 95% interest in Belize Electric Company Limited (“BECOL”). BECOL owns and operates the Mollejon hydroelectric facility, located on the Macal River in Belize, Central America. Also in Belize, Fortis, through wholly-owned subsidiaries, holds 67% of the outstanding shares of Belize Electricity Limited (“Belize Electricity”), the main commercial generator, transmitter and distributor of electricity in Belize. Fortis also owns, through a wholly-owned subsidiary, a 38.2% interest in Caribbean Utilities Company, Ltd. (“Caribbean Utilities”), the sole provider of electricity to the island of Grand Cayman, Cayman Islands.

Through its non-utility wholly-owned subsidiary, Fortis Properties, Fortis has investments in commercial real estate and hotel operations in Atlantic Canada.

Fortis believes that its primary focus of growth will be the acquisition of electric utility assets. Fortis will continue to pursue acquisition opportunities both in Canada and outside of Canada. Fortis will also carry out strategic assessments of its non-utility operations to identify and capitalize on expansion opportunities where prospects of enhancing existing operations may exist.

Newfoundland Power

Newfoundland Power operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. Newfoundland Power serves approximately 220,000 customers, constituting 85% of all electricity customers in the province. Newfoundland Power has an installed generating capacity of approximately 150 MW comprised of hydroelectric, diesel and gas turbine generation with the bulk, 95 MW, coming from hydroelectric facilities. The balance of energy required by Newfoundland Power is purchased from Newfoundland and Labrador Hydro Corporation, a provincial Crown corporation.

FortisOntario

FortisOntario is an integrated electric utility that owns and operates the 75 MW Rankine Electric Generating Station on the Niagara River in Niagara Falls, Ontario and a 5 MW gas-fired cogeneration plant that provides district heating to commercial customers in Cornwall, Ontario. FortisOntario’s wholly-owned subsidiary, Granite Power Generation Corporation, generates electricity from five hydroelectric generating stations with a combined capacity of 6 MW. Through FortisOntario’s wholly-owned subsidiaries, CNPI, Cornwall Electric and Eastern Ontario Power, electricity is distributed to approximately 52,000 Ontario customers in Fort Erie, Port Colborne, Gananoque, Cornwall, South Glengarry, South Stormont and the Ontario portion of the Mohawk Territory of Akwesasne.

Maritime Electric

Maritime Electric operates an integrated electric utility which directly supplies approximately 67,500 customers constituting over 90% of the electricity consumers on Prince Edward Island. Maritime Electric owns and operates generating plants on Prince Edward Island with a total capacity of 100 MW but purchases most of the energy it distributes to its customers from New Brunswick Power, a provincial Crown corporation, and Emera Inc. Maritime Electric's system is connected to the mainland power grid via two submarine cables between Prince Edward Island and New Brunswick.

Maritime Electric's wholly-owned subsidiary, FortisUS Energy, operates four hydroelectric generating stations in upper New York State having a combined generating capacity of 23 MW.

Belize Electric Company Limited

BECOL owns and operates the Mollejon hydroelectric facility located on the Macal River in Belize, Central America. The facility is a 25 MW generating plant capable of delivering average annual energy of 80 GWh and is the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity. BECOL operates under various agreements with the Government of Belize and Belize Electricity, including a 50-year power purchase agreement with Belize Electricity and a franchise agreement with the Government of Belize. The franchise agreement grants BECOL the right to use the water in the Macal River upstream of the Mollejon plant for hydroelectric generation and the Government of Belize has agreed not to grant any rights or take any action that would impede the amount or quality of water flow on the upper Macal River.

In November 2001, BECOL received environmental clearance for the Chalillo project, an upstream storage and generation facility that is expected to increase BECOL's annual energy production from an average of 80 GWh to 160 GWh. In December 2002, BECOL received additional support for the Chalillo project when, in response to a challenge initiated by opponents to construction of a hydroelectric dam, the Supreme Court of Belize ruled that the environmental approvals for the project were in order. In March 2003, the Court of Appeal upheld the ruling of the Supreme Court of Belize and the Public Utilities Commission of Belize approved construction of the Chalillo project. In its decision, the Court of Appeal also granted leave to appeal their decision to the Judicial Committee of the Privy Council. In April 2003, an application for injunctive relief was filed to prevent construction of the Chalillo project until the appeal of the decision of the Court of Appeal is heard by the Judicial Committee of the Privy Council. The hearing of the application for injunctive relief has not taken place as yet.

Belize Electricity

Belize Electricity is the primary commercial generator, transmitter and distributor of electric power in Belize. Serving almost 60,000 customers, Belize Electricity satisfies Belize's aggregate peak demand of 54 MW from multiple sources which include power purchases from BECOL, from Comisión Federal de Electricidad, the Mexican state-owned power company, and from its own diesel-fired generating stations. Belize Electricity currently operates 26.3 MW of diesel generation.

Caribbean Utilities

Caribbean Utilities is the sole provider of electricity to the Island of Grand Cayman, Cayman Islands pursuant to an exclusive 25-year licence renewable in 2011 with the Government of the Cayman Islands. Caribbean Utilities generates, transmits and distributes electricity to more than 19,500 customers with an installed capacity of 115 MW.

Central Newfoundland Energy

In June 2001, the Company, through a non-regulated subsidiary, Central Newfoundland Energy, entered into an agreement with Abitibi-Consolidated to develop additional capacity at two of Abitibi-Consolidated's hydroelectric plants at Grand Falls-Windsor and Bishop's Falls, Newfoundland and Labrador. The project is expected to cost \$68 million, of which \$51.9 million had been incurred as of December 31, 2002. The project has been financed principally with non-recourse debt and will increase annual energy production from the two hydroelectric plants by approximately 140 GWh. The installation of six new generating units and the refurbishment of the remaining three units at the Bishop's Falls generating station was completed in April 2003. It is expected that construction at the Grand Falls generating station will be complete by the end of 2003.

Fortis Properties

Fortis Properties is a leading owner and operator of commercial real estate and hotels in Atlantic Canada. Fortis Properties is the only non-utility subsidiary of Fortis and the primary vehicle for diversification and growth outside the electric utility business, with interests in office buildings, shopping centres, hotels and the provision of property management services. At December 31, 2002, Fortis Properties had a commercial real estate portfolio of 2.7 million square feet and eight hotels with more than 1,500 rooms. Its assets and income are distributed between Newfoundland and Labrador, Nova Scotia and New Brunswick and are diversified between the real estate and hotel operations, providing stability and opportunity for growth.

SHARE CAPITAL OF FORTIS

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of First Preference Shares issuable in series and Second Preference Shares issuable in series, in each case without nominal or par value. As at May 26, 2003, 17,285,274 Common Shares were issued and outstanding.

Holders of Common Shares are entitled to dividends on a *pro rata* basis if, as and when declared by the board of directors of Fortis. Subject to the rights of the holders of the First Preference Shares and Second Preference Shares and any other class of shares of the Company entitled to receive dividends in priority to or rateably with the holders of the Common Shares, the board of directors of Fortis may declare dividends on the Common Shares to the exclusion of any other class of shares of the Company. On the liquidation, dissolution or winding-up of Fortis, holders of Common Shares are entitled to participate rateably in any distribution of assets of Fortis, subject to the rights of holders of First Preference Shares and Second Preference Shares and any other class of shares of the Company entitled to receive the assets of the Company on such a distribution in priority to or rateably with the holders of the Common Shares. Holders of the Common Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of Fortis, other than separate meetings of holders of any class or series of shares, and to one vote in respect of each Common Share held at such meetings.

EARNINGS COVERAGE RATIO

The Company's dividend requirements on all of its First Preference Shares after giving effect to the issue of 5,000,000 Series C First Preference Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 32.5% amounted to \$10,083,000 and \$9,990,000 for the 12 months ended December 31, 2002 and the 12 months ended March 31, 2003, respectively. The Company's interest requirements for the 12 months ended December 31, 2002 and 12 months ended March 31, 2003 respectively, amounted to \$73,681,000 and \$76,170,000. The Company's earnings before interest and income tax for the 12 months ended December 31, 2002 and 12 months ended March 31, 2003, respectively, were \$169,421,000 and \$178,955,000, which is 2.02 times and 2.08 times the Company's aggregate dividend and interest requirements for the periods, respectively.

RATINGS

The Series C First Preference Shares are rated Pfd-3 (high) by Dominion Bond Rating Service Limited ("DBRS"). The Series C First Preference Shares are rated P-2/CreditWatch Negative by Standard & Poor's ("S&P"). S&P has announced that it has placed several Canadian utility companies (including the Company) on credit watch with negative implications, pending a review of the various regulatory environments in which the utilities operate.

The DBRS rating of Pfd-3 (high) is the first of three sub-categories within the third highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. A P-2 rating by S&P is the second of the three sub-categories within the second highest rating of the eight standard categories of ratings utilized by S&P for preferred shares.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Series C First Preference Shares by these rating agencies are not recommendations to purchase, hold or sell the Series C First Preference Shares inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

DETAILS OF THE OFFERING

Specific Provisions of First Preference Shares

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

Issuance in Series

The board of directors of the Company may from time to time issue First Preference Shares in one or more series. Prior to issuing shares in a series, the board of directors is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of First Preference Shares.

Priority

The First Preference Shares rank in priority to all other shares of the Company and on a parity with the First Preference Shares of every other series as to the payment of dividends, return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. Each series of First Preference Shares participates rateably with every other series of First Preference Shares in respect of accumulated cumulative dividends and return of capital if any amount of cumulative dividends, whether or not declared, or amount payable on the return of capital in respect of a series of First Preference Shares, is not paid in full.

Voting

The holders of the First Preference Shares are not entitled to any voting rights as a class except to the extent that voting rights may from time to time be attached to any series of First Preference Shares, and except as provided by law or as described below under "Modification". At any meeting of the holders of the First Preference Shares, each holder shall have one vote in respect of each First Preference Share held.

Modification

The class provisions attached to the First Preference Shares may only be amended with the prior approval of the holders of the First Preference Shares in addition to any other approvals required by the *Corporations Act* (Newfoundland and Labrador) or any other statutory provisions of like or similar effect in force from time to time. The approval of the holders of the First Preference Shares with respect to any and all matters may be given by at least two-thirds of the votes cast at a meeting of the holders of the First Preference Shares duly called for that purpose.

Specific Provisions of the Series C First Preference Shares

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

Issue Price

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

Dividends

The holders of the Series C First Preference Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Company, in an amount equal to \$1.3625 per share per annum, accruing daily from the date of issue, payable in equal quarterly instalments on the first day of March, June, September and December of each year. Assuming an issue date of June 3, 2003, the first such dividend will be payable on September 1, 2003 and will be \$0.3360 per share.

Redemption

The Series C First Preference Shares are not redeemable before June 1, 2010. On or after this date, subject to the terms of any shares of the Company ranking prior to the Series C First Preference Shares, to applicable law and to the provisions described under "Restrictions on Dividends and Retirement and Issue of Shares" below, the Company may, at its option, at any time redeem all, or from time to time any part, of the outstanding Series C First Preference Shares by the payment of an amount in cash for each such share so redeemed of \$25.75 if redeemed before June 1, 2011, of

\$25.50 if redeemed on or after June 1, 2011 but before June 1, 2012, of \$25.25 if redeemed on or after June 1, 2012 but before June 1, 2013, and of \$25.00 thereafter plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Company).

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

Conversion at the Option of the Company

The Series C First Preference Shares will not be convertible at the option of the Company prior to June 1, 2010. On or after this date, the Company may, subject to applicable law including, if required, to stock exchange approval, convert all, or from time to time any part, of the outstanding Series C First Preference Shares into that number of fully-paid and freely-tradeable Common Shares determined (per Series C First Preference Share) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the Current Market Price of the Common Shares. Fractional Common Shares will not be issued on any conversion of Series C First Preference Shares, but in lieu thereof the Company will make cash payments.

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

Upon exercise by the Company of its right to convert Series C First Preference Shares into Common Shares, the Company is not required to issue Common Shares to any person whose address is in, or who the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Company with the securities or other laws of such jurisdiction.

Conversion at the Option of the Holder

Subject to applicable law and the rights of the Company described below, on or after September 1, 2013, each Series C First Preference Share will be convertible at the option of the holder on the first day of September, December, March and June of each year on at least 30 and not more than 60 days prior written notice (which notice shall be irrevocable) into that number of fully-paid and freely-tradeable Common Shares determined by dividing \$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of \$1.00 and 95% of the Current Market Price of the Common Shares. Fractional Common Shares will not be issued on any conversion of Series C First Preference Shares, but in lieu thereof the Company will make cash payments.

Upon exercise of the conversion privilege by the holder of Series C First Preference Shares, the Company is not required to issue Common Shares to any person whose address is in, or who the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require compliance by the Company with the securities or other laws of such jurisdiction.

Subject to the provisions described under “Restrictions on Dividends and Retirement and Issue of Shares” below as applicable, the Company may, by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the date fixed for conversion all or any part of the Series C First Preference Shares forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Series C First Preference Shares to sell on the date fixed for conversion all or any part of such Series C First Preference Shares to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Series C First Preference Shares is or are found. Any such redemption or purchase shall be made by the payment to the holder of the Series C First Preference Shares of an amount in cash of \$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion (less any tax required to be deducted and withheld by the Company under applicable law). The Series C First Preference Shares to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

If the Company elects to redeem or arrange for the purchase of any Series C First Preference Shares that are the subject of a conversion notice (the “Subject Shares”), the Company shall, at least 20 days prior to the conversion date, give notice to all holders who have given a conversion notice to the Company, stating:

- (a) the number of Subject Shares to be redeemed by the Company;
- (b) the number of Subject Shares to be sold to another purchaser; and
- (c) the number of Subject Shares to be converted into Common Shares,

such that all of the Subject Shares will be redeemed, purchased or converted on that conversion date and that the proportion of the Subject Shares which are either redeemed, purchased or converted on that conversion date shall, to the extent practicable, be the same for each holder delivering a conversion notice.

If the Series C First Preference Shares are held through the book-entry only system of CDS, then the beneficial owner thereof shall provide instructions only by such beneficial owner providing instructions to the CDS Participant through whom such beneficial owner holds such Series C First Preference Shares. Beneficial owners of Series C First Preference Shares will not have the right to receive share certificates representing their ownership of the shares. See “Book Entry Only System”.

Purchase for Cancellation

Subject to applicable law and the provisions described under “Restrictions on Dividends and Retirement and Issue of Shares” below, the Company may at any time purchase for cancellation the whole or any part of the Series C First Preference Shares in the open market or by private agreement or otherwise at the lowest price or prices at which in the opinion of the board of directors of the Company such shares are obtainable.

Liquidation, Dissolution and Winding-Up

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series C First Preference Shares and on all other shares of

the Company ranking as to dividends prior to or on a parity with the Series C First Preference Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series C First Preference Shares as a series and any other approval to be given by the holders of the Series C First Preference Shares may be given by a resolution carried by an affirmative vote of at least 66²/₃% of the votes cast at a meeting at which the holders of not less than a majority of the outstanding Series C First Preference Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series C First Preference Shares then present would form the necessary quorum. At any meeting of holders of Series C First Preference Shares as a series, each such holder shall be entitled to one vote in respect of each Series C First Preference Share held.

Voting Rights

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

Tax on Dividends

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

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP and Stikeman Elliott LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series C First Preference Shares who purchases the Series C First Preference Shares pursuant to this Prospectus (a “Holder”) and who, at all relevant times for purposes of the Tax Act, is a resident of Canada, deals at arm’s length with the Company, holds his or her Series C First Preference Shares as capital property and is not affiliated with the Company. This summary does not take into account the “mark to market” rules applicable to a “financial institution” within the meaning of section 142.2 of the Tax Act and such financial institutions are advised to consult with their own tax advisors.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

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

Dividends

Dividends (including deemed dividends) received on the Series C First Preference Shares by an individual must be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends (including deemed dividends) received on the Series C First Preference Shares by a corporation must be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation.

The Series C First Preference Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series C First Preference Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C First Preference Shares.

A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received (or deemed to be received) on the Series C First Preference Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of or is deemed to dispose of the Series C First Preference Shares (either on redemption or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Company of Series C First Preference Shares will not generally be included in computing the proceeds of disposition for the Series C First Preference Shares. However, any loss realized on a disposition of a Series C First Preference Share may be suspended or denied as a superficial loss if the Holder or a person affiliated with the Holder acquires a Series C First Preference Share or certain other property considered identical to the Series C First Preference Share within the period commencing 30 days before, and ending 30 days after, the disposition of the Series C First Preference Share giving rise to the loss. For the purpose of the rules which suspend a loss, a Common Share acquired on conversion of a Series C First Preference Share is deemed to be a property identical to the Series C First Preference Share. If the Holder is a corporation, any capital loss arising on the disposition of a Series C First Preference Share may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on the Series C First Preference Shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

One-half of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year must be included in the Holder's income in that year and one-half of any capital loss (an "allowable capital loss") realized by a Holder in a taxation year will be deducted from the Holder's taxable capital gains in that year. Allowable capital losses in excess of taxable capital gains generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

Capital gains realized by an individual may give rise to a liability for minimum tax under the Tax Act. A Canadian-controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % on investment income (including taxable capital gains).

Conversion

The exercise by a Holder of the right to convert such Holder's Series C First Preference Shares into Common Shares or the conversion of the Series C First Preference Shares into Common Shares at the option of the Company will be deemed not to constitute a disposition of such Series C First Preference Shares and will not give rise to a capital gain or capital loss. Except as described below, the cost to the Holder of the Common Shares issued on such conversion will be the adjusted cost base to such Holder of such Series C First Preference Shares immediately before such conversion. The adjusted cost base of the Common Shares will be determined in accordance with the cost averaging rules in the Tax Act.

Under the CCRA's current administrative practice, a Holder of Series C First Preference Shares who receives cash on a conversion not exceeding \$200 in lieu of a fractional share will have the option of recognizing the capital gain or capital loss arising on the disposition of the fractional share in computing the Holder's income for the taxation year in which the conversion occurs or, alternatively, of reducing the adjusted cost base of the Common Shares received at the time of the conversion by the amount of cash received by the Holder.

An amount equal to the fair market value of the Common Shares received on conversion in respect of declared and unpaid dividends will be included in a Holder's income as a dividend and will be the cost to the Holder of such Common Shares. See "Canadian Federal Income Tax Considerations — Dividends".

Redemption

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

BOOK ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Series C First Preference Shares will be made only through a book entry only system administered by CDS. On the Closing Date, the Company will deliver to CDS certificates evidencing the aggregate number of Series C First Preference Shares subscribed for under this distribution. Series C First Preference Shares must be purchased, transferred and surrendered for conversion or redemption through a CDS Participant. All rights of an owner of the Series C First Preference Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds the Series C First Preference Shares. Upon purchase of any Series C First Preference Shares, the owner will receive only the customary confirmation. References in this Prospectus to a holder of Series C First Preference Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

Any owner of Series C First Preference Shares who desires to exercise conversion privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the owner, a written notice (the "Conversion Notice") of the owner's intention to convert shares sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Conversion Notice may take the form of the notice attached as Exhibit A hereto or such other form as each CDS Participant may prescribe. Any expenses associated with the preparation and delivery of a Conversion Notice shall be for the account of the owner exercising the conversion privilege.

By causing a CDS Participant to deliver a Conversion Notice to CDS, an owner shall be deemed to have irrevocably surrendered his or her shares for conversion and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the conversion privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Conversion Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the conversion privilege to which it relates shall be considered for all purposes not to have been exercised thereby. In the event of a determination that a Conversion Notice is incomplete, not in proper form or not duly executed, CDS shall promptly notify the CDS Participant which delivered the conversion notice. A failure by a CDS Participant to exercise conversion privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or the owner.

The Company has the option to terminate registration of the Series C First Preference Shares through the book entry only system, in which case certificates for the Series C First Preference Shares in fully registered form will be issued to beneficial owners of such shares or their nominees.

CHANGES IN SHARE AND LOAN CAPITAL STRUCTURE

The following describes the changes in the share and loan capital structure of Fortis since December 31, 2002:

- In January 2003, Fortis borrowed US\$45,000,000 from a Canadian chartered bank, which was used to finance the purchase of additional shares of its wholly-owned subsidiary to enable such subsidiary to increase its ownership interest in Caribbean Utilities to 38.2% from 22%.
- During the period from January 1, 2003 up to and including May 26, 2003, Fortis issued an aggregate of 93,210 Common Shares pursuant to the Company's Dividend Reinvestment and Share Purchase Plan, Consumer Share Purchase Plan and Employee Share Purchase Plan and upon the exercise of options granted pursuant to the Executive Stock Option Plan and Directors' Stock Option Plan for an aggregate consideration of \$4,442,094.
- On May 20, 2003, Fortis issued by way of private placement, US\$10,000,000 aggregate principal amount of Subordinated Convertible Debentures bearing interest at an annual rate of 5.5% and maturing on May 20, 2013. The debentures are convertible into Common Shares at US\$47.86 per share.

USE OF PROCEEDS

The estimated net proceeds from the sale of the Series C First Preference Shares will be approximately \$120,950,000 (determined after deducting the Underwriters' fee and the estimated expenses of this offering). All of the proceeds will be used for the repayment of certain short-term indebtedness to a Canadian chartered bank, whose indirect wholly-owned subsidiary is one of the Underwriters. Following such repayment, the Company and its subsidiaries will have indebtedness remaining outstanding to this bank of approximately \$17,950,000 comprising a revolving credit facility in the amount of \$15,450,000 between the Company and such bank, and a loan facility in the amount of US\$1,750,000 between Belize Electricity and such bank.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of May 15, 2003 (the "Underwriting Agreement") between Fortis and the Underwriters, Fortis has agreed to issue and sell, and the Underwriters have agreed to purchase, as principals, on the Closing Date or on such later date as may be agreed upon, but in any event not later than June 17, 2003, 4,000,000 Series C First Preference Shares offered hereby at a price of \$25.00 per Series C First Preference Share subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Company has agreed to pay fees to the Underwriters in the amount of \$0.25 per Series C First Preference Share sold to institutions and \$0.75 per Series C First Preference Share for all other Series C First Preference Shares purchased by the Underwriters in consideration of services rendered by the Underwriters in connection with the offering. The offering price and other terms of the offering for the Series C First Preference Shares was determined by negotiation between the Company and the Underwriters.

The Company has granted the Underwriters an option (the "Underwriters' Option") to purchase on the Closing Date an aggregate of up to 1,000,000 Series C First Preference Shares exercisable at any time up to 8:30 a.m. on the second business day immediately preceding the Closing Date. The Underwriters' Option was exercised in full on May 26, 2003. The additional Series C First Preference Shares purchased pursuant to the Underwriters' Option will be purchased by the Underwriters at the public offering price, and the Company has agreed to pay to the Underwriters a fee of \$0.25 per Series C First Preference Share sold to institutions and \$0.75 per Series C First Preference Share for all such Series C First Preference Shares purchased by the Underwriters. Accordingly, the total price to the public will be \$125,000,000, the Underwriters' fee will be \$3,750,000 (assuming that no Series C First Preference Shares are sold to institutions) and the net proceeds to Fortis will be \$121,250,000. This Prospectus also qualifies the distribution of Series C First Preference Shares issuable on the exercise of the Underwriters' Option.

Pursuant to policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Series C First Preference Shares or Common Shares

into which the Series C First Preference Shares are convertible. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made to and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first-mentioned exception, in connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C First Preference Shares or the Common Shares into which the Series C First Preference Shares are convertible at levels other than those which may otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Series C First Preference Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended (the “1933 Act”) or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Series C First Preference Shares within the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of the offering of the Series C First Preference Shares pursuant to this Prospectus, an offer or sale of Series C First Preference Shares within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in reliance on Rule 144A.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series C First Preference Shares if any are purchased under the Underwriting Agreement. Under the terms of the Underwriting Agreement, the Underwriters may be entitled to indemnification by the Company against certain liabilities, including liabilities for misrepresentation in this Prospectus.

Scotia Capital Inc., one of the Underwriters, is an affiliate of a Canadian chartered bank, which is a lender to the Company and to which the Company is currently indebted. All of the proceeds from this offering will be used for the repayment of certain short-term indebtedness owing to this bank. As such, Fortis may be considered to be a connected issuer of Scotia Capital Inc. within the meaning of applicable securities legislation. Fortis is currently in compliance with the terms of its credit facilities with such bank. Since the execution of such credit facilities, no breach thereunder has been waived by such bank. Scotia Capital Inc. will not receive any direct benefit from the offering other than the underwriting commission relating to this offering. The decision to distribute the Series C First Preference Shares hereunder and the determination of the terms of this offering were made through negotiation between the Company and the Underwriters. The bank did not have any involvement in such decision or determination. See “Use of Proceeds”.

The TSX has conditionally approved the listing of the securities distributed under this Prospectus. Listing is subject to Fortis fulfilling all of the requirements of the TSX on or before August 12, 2003.

RISK FACTORS

A prospective purchaser of Series C First Preference Shares should carefully consider the information contained under the heading “Business Risk Management” in Management Discussion and Analysis of financial conditions and results of operations found on pages 41 to 43 of the Company’s 2002 Annual Report incorporated by reference in this Prospectus, as well as the other information contained in this Prospectus (including the documents incorporated by reference herein).

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon on behalf of Fortis by Davies Ward Phillips & Vineberg LLP, Toronto, and Curtis, Dawe, St. John’s and on behalf of the Underwriters by Stikeman Elliott LLP, Toronto. At the date hereof, partners and associates of each of Davies Ward Phillips & Vineberg LLP, Curtis, Dawe and Stikeman Elliott LLP own beneficially, directly or indirectly, less than one per cent of any securities of Fortis or any associate or affiliate of Fortis.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP, The Fortis Building, 7th Floor, 139 Water Street, St. John's, Newfoundland and Labrador, are the auditors of the Company. The transfer agent and registrar for the Series C First Preference Shares is Computershare Trust Company of Canada in Toronto and Montreal.

PURCHASERS' STATUTORY RIGHTS

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

CERTIFICATE OF FORTIS INC.

Dated May 26, 2003

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

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

(Signed) KARL W. SMITH
Vice-President, Finance and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) ANGUS A. BRUNEAU
Director

(Signed) BRUCE CHAFE
Director

CERTIFICATE OF THE UNDERWRITERS

Dated May 26, 2003

To the best of our knowledge, information and belief, this short form prospectus, together with documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

SCOTIA CAPITAL INC.

By: (Signed) DONALD A. CARMICHAEL

BMO NESBITT BURNS INC.

By: (Signed) STEVEN BRAUN

NATIONAL BANK FINANCIAL INC.

By: (Signed) WILLIAM WASSON

BEACON SECURITIES LIMITED

By: (Signed) JANE M. SMITH

EXHIBIT A
CONVERSION NOTICE
FORTIS INC.

To: CDS Participant

This notice (the "Conversion Notice") is to be completed by a broker representing a holder of Cumulative Redeemable Convertible First Preference Shares, Series C who desires to exercise conversion privileges as set out in the Fortis Inc. prospectus (the "Prospectus") dated May 26, 2003.

CDS Participants are urged to refer to the Prospectus to obtain details on the conversion dates and the notification periods.

Number of Cumulative Redeemable Convertible
First Preference Shares, Series C
to be converted:

Broker's Name:

Fax No.:

Tel. No.:

Date of Conversion Notice:

Signature of Authorized Person:

UPON AUTHENTICATING THIS CONVERSION NOTICE, THE CDS PARTICIPANT IS DIRECTED TO FORWARD THE FOREGOING INSTRUCTIONS FORTHWITH TO CDS.

FORTIS