



UNS Energy Corporation

A Fortis Company

## Fortis, Inc. Employee Share Purchase Plan (ESPP) FAQs

- 1) **Can I transfer or sell my shares during a loan period?**  
No. Loans must be paid in full before shares are available to you to sell or transfer your shares.
- 2) **Are there limits or a timeframe that I must hold on to these shares before selling?** If the employee chose the loan option to purchase the shares, then the shares must be held until the loan is paid back. Also, all shares purchased with the employer match must be held for one year from the Investment Date. Fortis views the ESPP plan as a long-term investment and encourages this by providing the dividend “top-up” of 10% for the shares held in your Computershare account.
- 3) **Is Computershare Canada and Computershare USA the same entity?**  
It is the same company, but different entities and you will be using Computershare Canada.
- 4) **Will Computershare track which shares are associated with which investment period so I can see my cost basis for each?**  
Yes, Computershare tracks your cost basis and all share information is viewable through your online Computershare account.
- 5) **Are there any taxes associated with the interest free loan?**  
There could be nominal imputed taxable income associated with any loan totals that exceed \$10,000 in a calendar year.
- 6) **What is the minimum amount I can contribute each investment period?**  
You may contribute at least 1% of your annualized base salary each investment period, but you must submit a participation form each time.
- 7) **Is the max 10% over each investment period? Or over the course of a year?**  
The 10% maximum contribution is for each investment period and in aggregate over the course of the calendar year.
- 8) **Since we are already into new calendar year, can I contribute the 10% of my base salary over the next three investment periods?**  
Yes, you may contribute, in aggregate, a total of 10% of your annualized base salary over the next three investment dates.
- 9) **At what point is the 1% minimum or the 10% maximum of my base salary calculated to determine the amount I can contribute during an investment period?**  
The annualized base salary used is your annualized base salary the first of the month prior to the Investment Date.
- 10) **Will Computershare issue a 1099-DIV expressed in US Dollars or Canadian Dollars?** The 1099-DIV will be issued in US Dollars.
- 11) **Does the Canadian Tax form (NR301) reduce your tax rate or eliminate it?**

*This Q & A document related to the Employee Share Purchase Plan (ESPP) is governed by the official plan prospectus. In the event of a conflict between this document and the plan prospectus, the formal plan prospectus shall govern in all cases.*



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Under the Canadian Tax Act, the rate of withholding tax is 25% of the gross amount on dividends. Completing the form NR301, allows an employee who is a resident in the United States to reduce the tax rate of 25% to 15%.

12) **Can we move our ESPP Shares to a ROTH IRA sheltered account?** No.

13) **Will the dividends earned be reinvested or paid out?**

Any dividends earned will be reinvested to purchase additional shares of Fortis Stock in your account, net of any amount withheld by Computershare for the 25% or 15% withholding tax.

14) **Are the dividends paid in Canadian dollars?** Yes.

15) **Is there any way to have the dividends paid to the employee in cash?** No.

16) **Will I receive “topped up” dividends if I move the shares from Computershare into my private brokerage account?**

You will continue to receive dividends if you move your shares to your individual brokerage account, but the shares will no longer be eligible for the “top-up” dividend contribution. Your ESPP shares must remain in the Computershare account to receive the dividend “top-up.”

17) **Where do we sign up for the loan?**

You can select the loan option on the ESPP Enrollment Form.

18) **Can I have more than one loan outstanding during a one year period?**

Yes, you could have as many as four loans at any one time. If you contributed to the ESPP in each of the four investment periods and selected the Loan option each time, you would be paying back four separate, but staggered, loans each over the course of 1 year (repayment according to your pay frequency) from the time of the Investment Date.

19) **When will I have to pay Federal and State tax on the ESPP program?**

You will have to pay any applicable Federal and State taxes on the employer match, dividends received and any future sale of shares. The employer match of the 10% contribution and 10% dividend top-up will be included in your taxable income in the year received. Dividends paid by Fortis will be subject to a 25% Canadian withholding tax (or 15% if the appropriate tax forms are completed), and will be reported on an annual 1099-DIV. The dividend income and foreign taxes paid are included on your U.S. federal income tax return as income and a credit, respectively. Capital gains from the sale of shares would be reported on a 1099-B and included on your U.S. federal income tax return in the year of sale.

20) **What are the pay back terms of the loan?**

The loans must be paid back within one year after the Investment Date (repayment according to your pay frequency).

21) **When does the loan payback period begin?**

The first loan payment will be deducted as soon as administratively feasible from your paycheck after the ESPP investment date and then each consecutive paycheck over the course of one year.

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**22) Can an employee pay back the loan earlier than 52 weeks?**

Yes, by submitting a check for the outstanding loan balance made out to your company.

**23) Can I contribute a portion with a lump sum check and a portion through a loan in the same investment period?**

No, you must choose either the loan method or the lump sum method in any one investment period. You can choose to do the lump sum method in one investment period and the loan method in another investment period.

**24) If I choose to leave the company what happens to ESPP shares that are considered “on hold”? Either due to the fact that I have an unpaid loan or it has been less than a year and they were purchased by the employer match?**

Shares purchased with a loan are not yours until the loan is repaid. Shares purchased with employer contributions are transferred to you upon retirement or termination releasing the oneyear hold requirement.

**25) Will my dividend be paid on June 1<sup>st</sup> if I decide to withdrawal from the plan on April 1<sup>st</sup> and I have to wait until August 31<sup>st</sup> for my shares to be settled?**

Yes. If your shares are in your account on the June record date for the June 1<sup>st</sup> dividend, you will be paid the dividend earned on June 1<sup>st</sup>.

**26) What happens if I choose not to participate after a year or so?**

According to the prospectus, any period of inactivity or non-participation in the ESPP program for 24 months will result in termination of Computershare as your administrative agent. This means the shares will be moved to your chosen broker or issued to you and you will no longer be eligible for the “topped up” portion on any dividends paid.

**27) What happens to my shares if I decide to leave the company, retire or am terminated?** As your employment ends, you will be deemed to have cancelled your participation in the ESPP and your shares will be withdrawn from your Computershare account. These shares will be moved to your chosen broker or issued to you and you will no longer be eligible for the “topped up” portion on any dividends paid.

**28) Why are we using the Toronto Stock Exchange (TSX) and not the New York Stock Exchange (NYSE)?**

The ESPP is a Canadian share plan so shares must be purchased on the Canadian exchange, TSX. The Plan has been in existence at Fortis in Canada for some time. Fortis is now, for the first time, offering this plan to the US subsidiaries under the same construct.

**29) How will exchange rates impact the ESPP plan?**

Your contribution will be converted to Canadian dollars to purchase the shares. When you sell the shares, the sale of the shares will be in Canadian dollars and the proceeds will then be converted back to US dollars. As with any investment, you should consider all risks and consult with your tax or financial advisor.

**30) Will fractional shares be converted to cash when we choose to sell through a broker?** Yes, fractional shares will be distributed as cash when moved out of the plan.

**31) Is this a new program to all of Fortis or just the subsidiaries?**

This program has been in place at Canadian Fortis locations and now it is being rolled out to the three US subsidiaries (ITC, Central Hudson and UNS).

**32) Can we combine all the forms (enrollment, W9, NR301) when submitting to UNS Compensation & Benefits to participate?**

Yes, but Computershare requires us to provide the tax forms with original signatures. Please make a copy for your own records.

**33) Where can I find a form to designate my beneficiary for this program?**

Computershare does not have the ability to designate a beneficiary in the ESPP.

**34) How do I withdraw shares from my Computershare account?**

Shares can be sold or transferred to a brokerage account through your online Computershare account or by calling Computershare's call center at (866) 586-7638.

**35) What is the notification process that I need to follow to transfer/sell ESPP shares that I have purchased and what is the associated timeframe from notification to transfer/sale of the shares?**

You will be able to submit your withdrawal request through your online Computershare account or by calling Computershare's call center at (866) 586-7638.