



30 St. Clair Avenue West 17th Floor Toronto, Ontario, Canada M4V 3A1  
northlandpower.ca

## MANAGEMENT INFORMATION CIRCULAR – APRIL 17, 2014

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## INTRODUCTION

**This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Northland Power Inc. (the “Corporation”)** for the Annual Meeting of Shareholders of the Corporation to be held at the Windsor Arms Hotel, 18 St. Thomas Street, Toronto, Ontario, on May 21, 2014 at 11:00 a.m. (Toronto time).

Except where otherwise indicated, this Management Information Circular contains information as of the close of business on March 31, 2014.

The solicitation, by the management of the Corporation, will be made primarily by mail, supplemented possibly by telephone or other personal contact by regular employees of the Corporation or its Subsidiaries. The cost of the solicitation will be borne by the Corporation.

The accompanying form of proxy is for use at the Meeting and at any adjournment or postponement thereof and for the purposes set forth in the accompanying Notice of Meeting.

All capitalized terms used in this Management Information Circular but not otherwise defined herein shall have the meanings set forth under the heading “Glossary of Terms” which follows at page 23.

In this Management Information Circular, any references to “**Corporation**” or “**Northland**” refer to Northland Power Inc. and when used in a historical context prior to the Arrangement on January 1, 2011 refer to Northland Power Income Fund.

## GENERAL PROXY MATTERS

### **Appointment, Time for Deposit and Revocability of Proxy**

The persons named in the enclosed form of proxy are officers of the Corporation. **A Voting Shareholder who wishes to appoint some other person (who need not be a Voting Shareholder) to represent him or her at the Meeting may do so by inserting such person’s name in the blank space provided in the form of proxy and striking out the names of the persons specified, or by completing another proper form of proxy.** A proxy to be used at the Meeting must be delivered or mailed to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 and received no later than 11:00 a.m. on May 20, 2014 or two business days before the time of any adjournment of the meeting. A Voting Shareholder who has given a proxy may revoke the proxy by an instrument in writing executed by the Voting Shareholder or by his, her or its attorney authorized in writing or, if the Voting Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited at such office of Computershare, at any time up to 11:00 a.m. on May 20, 2014 or two business days preceding the time of any adjournment thereof, at which the proxy is to be used, or in any other manner permitted by law. **All Common Shares are held by Beneficial Common Shareholders under the book-based system. Accordingly, Beneficial Common Shareholders should refer to the directions for voting at “Voting of Common Shares – Advice to Beneficial Holders of Securities”.**

### **Exercise of Discretion by Holders of Proxies**

The form of proxy forwarded to Voting Shareholders with the Notice of Meeting and this Management Information Circular provides the Voting Shareholder with an opportunity to specify that the Voting Shares registered in his, her or its name shall be voted for or withheld from voting in respect of the matters to be considered at the Meeting. On any ballot that may be called for, the Voting Shares represented by proxies in favour of the Board of Directors’ nominees will be voted for or withheld from voting, in accordance with the specifications made by Voting Shareholders in the manner referred to above. In respect of proxies in which Voting Shareholders have not specified the manner of voting,

the Voting Shares represented by proxies in favour of the persons named in the enclosed form of proxy will be voted **FOR** the resolutions.

The form of proxy confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. The Board of Directors knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters that are not now known to the Board of Directors should properly come before the Meeting, the Voting Shares represented by proxies in favour of the Board of Directors' nominees will be voted on such matter in accordance with the best judgment of the proxy nominee.

### **Meeting Resolutions**

Approval of any of the Meeting resolutions relating to items referred to under "Business of the Meeting" requires a majority of the votes cast at the Meeting on the particular matter.

### **Voting of Common Shares – Advice to Beneficial Common Shareholders**

**The information set forth in this section is of significant importance to holders of Common Shares, as none of such persons hold Common Shares in their own name.** Beneficial Common Shareholders should note that only proxies deposited by Common Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. All of the Common Shares are registered under the name of CDS & CO. (the registration name for CDS Clearing and Depository Services Inc.). CDS maintains books showing through which of its participants, such as investment dealers or brokers, the Common Shares are owned. Investment dealers and brokers maintain their own records showing the beneficial ownership of such Common Shares by the Beneficial Common Shareholders. Common Shares held by CDS can be voted only upon the instructions of the Beneficial Common Shareholder. Without specific instructions, CDS and its participants are prohibited from voting the Common Shares on behalf of the Beneficial Common Shareholders. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS are held. Therefore, Beneficial Common Shareholders cannot be recognized at the Meeting for purposes of voting their Common Shares in person or by proxy unless they comply with the procedure described below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Common Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Common Shareholders in order to ensure that their Common Shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions ("**Broadridge**"). Broadridge typically prepares the Voting Form which it mails to the Beneficial Common Shareholders and asks Beneficial Common Shareholders to return the Voting Form directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Common Shareholder receiving a Voting Form cannot use that Voting Form to vote their Common Shares directly at the Meeting; the Voting Form must be returned to Broadridge well in advance of the Meeting in order for a Beneficial Common Shareholder to have its Common Shares voted.

**If you wish to vote in person at the Meeting, you must insert your own name in the space provided for the appointment of a proxy holder on the enclosed form of proxy or Voting Form provided to you. By doing so, you are instructing CDS to appoint you as proxy holder. Then follow the signing and return instructions provided on the enclosed form of proxy or Voting Form. You do not need to complete the remainder of the form of proxy or Voting Form, as you will be voting at the Meeting. Please present yourself at the Meeting to a representative of Computershare in order to obtain further instructions on how to vote.**

## **Voting Securities**

As of the close of business on March 31, 2014, the Corporation had outstanding 145,574,794 Common Shares and 1,000,000 Class A Shares each of which carries the right to one vote at meetings of the Voting Shareholders. The outstanding Series 1 Preferred Shares and Series 3 Preferred Shares do not carry the right to vote at meetings of Voting Shareholders and the holders thereof are not entitled to notice of the Meeting. The Board of Directors has fixed a record date of April 16, 2014 for the purpose of determining Voting Shareholders entitled to receive notice of the Meeting. Only persons registered as holders of Common Shares and Class A Shares on the books of the Corporation or Beneficial Common Shareholders as of the close of business on April 16, 2014 are entitled to receive notice of and to vote at the Meeting. The failure of any Voting Shareholder to receive notice of the Meeting does not deprive the Voting Shareholder of the right to vote at the Meeting.

## **Principal Holders of Voting Securities**

As of the close of business on March 31, 2014, all of the Common Shares were registered in the name of CDS, which holds such Common Shares on behalf of the Beneficial Common Shareholders, and all of the Class A Shares were registered in the name of NPHI. To the knowledge of the Directors, no person or company beneficially owns, directly or indirectly, or controls or directs 10% or more of the voting securities of the Corporation, except for James C. Temerty C.M., the Chair of the Corporation, who indirectly beneficially owns, or has control or direction over, 50,835,060 Common Shares, and 1,000,000 Class A Shares, collectively representing approximately 35.4% of the outstanding Voting Shares.

## **Quorum for the Meeting**

At the Meeting, a quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less than 10% of the issued and outstanding Voting Shares. If a quorum is not present at the Meeting within one half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such day being not less than fourteen days later and to such place and time as may be appointed by the Chairman of the Meeting. At such meeting, the Voting Shareholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original Meeting in accordance with the accompanying Notice of Meeting.

## **BUSINESS OF THE MEETING**

### **Financial Statements**

The financial statements of the Corporation for the fiscal year ended December 31, 2013, together with the report of the auditors thereon will be submitted to the Meeting. The financial statements are included in the annual report of the Corporation for the fiscal year ended December 31, 2013, which accompanies this Management Information Circular. These documents are filed on SEDAR and can be reviewed and obtained from the website [www.sedar.com](http://www.sedar.com) under Northland's profile. Upon request, the Corporation will promptly provide a copy of the annual report free of charge to a Voting Shareholder.

### **Election of Directors**

The Articles of the Corporation provide that the Corporation shall have between three and nine Directors. The Voting Shareholders have empowered the Directors to determine the number of Directors (within the range of three and nine Directors) by resolution of the Directors.

Mr. Pierre R. Gloutney passed away on September 21, 2013. He had been a director of Northland since 1997 and was the chair of the Audit Committee and member of the Governance and Nominating Committee up until the time of his passing.

Mr. Sean Durfy resigned as a director of Northland as of January 8, 2014 and commenced his role as President and Chief Development Officer of Northland. He had been a director of Northland since 2011 and was a member of the Compensation Committee up until the time of his resignation.

As a result of Mr. Gloutney's passing and Mr. Durfy's resignation, the Board of Directors is presently composed of five directors, consisting of James C. Temerty, John N. Turner, Marie Bountrogianni, Peter V. Harder and Linda L. Bertoldi.

The Directors have determined that the number of directors of the Corporation to be elected at the Meeting is seven.

Based on the recommendation of the Governance and Nominating Committee, the Directors have nominated two individuals set out in the table below to be elected to the Board of Directors.

<b>Name and Province of Residence</b>	<b>Current Principal Occupation and Principal Occupation(s) during five preceding years</b>
<b>Barry Gilmour</b> Ontario, Canada	Retired; formerly, Group Head, Technology and Operations (Bank of Montreal Financial Group).
<b>Russell Goodman</b> Quebec, Canada	Corporate Director; formerly, partner at PricewaterhouseCoopers LLP.

Although NPHI has the right to appoint three of the Directors, it has advised that it does not intend to exercise this right at the Meeting.

It is proposed that each of the persons mentioned below to be elected as a Director will serve until the close of the next annual meeting of the Corporation or until his or her successor is elected or appointed. Voting Shares represented by proxies in favour of the individuals named in the enclosed form of proxy will be voted in favour of the election of these nominees as Directors, unless a Voting Shareholder has specified in his, her or its proxy that his, her or its Voting Shares are to be withheld from voting in respect of any particular Director or Directors. The Corporation does not contemplate that any of the said nominees for election as Director will be unable to serve if elected, but should that occur prior to the Meeting, the persons named in the enclosed form of proxy may vote for another person nominated by the Directors at their discretion.

Pursuant to the Corporation's Majority Voting Policy, as required by the TSX, if a director nominee has more votes withheld than are voted in favour of him or her, such nominee must forthwith submit his or her resignation to the Board of Directors, effective on acceptance by the Board of Directors. The Board of Directors will refer the resignation to the Governance and Nominating Committee for consideration. The Board of Directors will promptly accept the resignation unless the Governance and Nominating Committee determines that there are extraordinary circumstances relating to the composition of the Board of Directors or the voting results that should delay the acceptance of the resignation or justify rejecting it. In any event, the resignation will be accepted (or in rare cases rejected) within 90 days of the meeting. The Majority Voting Policy does not apply to an election that is contested.

The following table shows the names and province of residence of all persons nominated for election as Directors at the Meeting, the number of each class of shares owned beneficially, directly or indirectly, by them, or over which they exercise control or direction, their principal occupations, and the year they first became Directors of the Corporation, where applicable, as well as information concerning committee membership.

Directors when elected are required to acquire, over time, a number of Common Shares equivalent in value to their annual retainer.

Name and Province of Residence	Positions and Offices held with the Corporation	Principal Occupation	Year Became Director <sup>(1)</sup>	Number of Shares Beneficially Owned Directly or Indirectly <sup>(2)</sup>
<b>James C. Temerty C.M.</b> <sup>(3)</sup> Ontario, Canada	Chair and Director	Chair of Northland	1997	50,835,060 Common Shares <sup>(4)</sup> 1,000,000 Class A Shares <sup>(5)</sup>
<b>The Right Honourable John N. Turner, Q.C.</b> <sup>(6)(7)</sup> Ontario, Canada	Lead Director	Partner, Kealy & Associates Inc. (consulting firm)	1997	1,015 Common Shares 3,180 DSUs
<b>Dr. Marie Bountrogianni</b> <sup>(3)(8)</sup> Ontario, Canada	Director	Interim Dean of the Chang School at Ryerson University	2009	3,794 Common Shares
<b>V. Peter Harder</b> <sup>(9)(10)</sup> Ontario, Canada	Director	Senior Policy Advisor, Dentons Canada LLP (law firm)	2010	11,237 DSUs
<b>Linda L. Bertoldi</b> <sup>(11)</sup> Ontario, Canada	Director and Secretary	Partner, Borden Ladner Gervais LLP (law firm)	2011	10,000 Common Shares
<b>Barry Gilmour</b> Ontario, Canada	Nil	Corporate Director	New Nominee	Nil
<b>Russell Goodman</b> Quebec, Canada	Nil	Corporate Director	New Nominee	Nil

(1) The date shown reflects the date when the nominees first became a member of the governing body of a public predecessor of the Corporation: from July 16, 2009 to December 31, 2010, a trustee of the Fund, from July 1, 2003 to July 16, 2009, a trustee of NPIF Commercial Trust and from 1997 to June 30, 2003, a director of Iroquois Falls Corp.

(2) This information, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually, as of March 31, 2014.

(3) Member of the Compensation Committee.

(4) Of these 50,835,060 Common Shares, 49,922,038 Common Shares are held directly or indirectly by Mr. Temerty, 271,840 Common Shares are held by Mr. Temerty's wife, 106,967 Common Shares are held by Mr. Temerty's daughters and son in law and 534,215 Common Shares are held by The Temerty Family Foundation which Mr. Temerty directs.

(5) These Class A Shares are held indirectly by Mr. Temerty through NPHI.

(6) Member of the Audit Committee.

(7) Chair of the Governance and Nominating Committee.

(8) Member of the Audit Committee and Governance and Nominating Committee since November 2013.

(9) Chair of the Audit Committee since November 2013.

(10) Chair of the Compensation Committee.

(11) Member of the Governance and Nominating Committee.

The following table summarizes, for each of the Directors, the number of board and committee meetings attended in the financial year ended December 31, 2013:

**NUMBER OF MEETINGS ATTENDED BY THE DIRECTORS**

	Board	Audit Committee	Governance and Nominating Committee	Compensation Committee	Independent Directors	Conversion Special Committee <sup>(1)</sup>	Gemini Special Committee <sup>(2)</sup>
<b>James C. Temerty C.M.</b>	11/11	n/a	n/a	6/6	n/a	n/a	8/8
<b>The Right Honourable John N. Turner, Q.C.</b>	11/11	5/5	4/4	n/a	7/7	n/a	n/a
<b>Dr. Marie Bountrogianni</b>	11/11	1/1 <sup>(3)</sup>	1/1 <sup>(3)</sup>	5/6	7/7	n/a	n/a
<b>V. Peter Harder</b>	11/11	5/5	n/a	6/6	7/7	4/4	5/5 <sup>(4)</sup>
<b>Linda L. Bertoldi</b>	11/11	n/a	4/4	n/a	n/a	n/a	8/8

(1) A special committee of independent Directors (the "Conversion Special Committee") was formed as part of the process to determine the number of Class C Convertible Shares and Class B Convertible Shares that were eligible to be converted into Class A Shares and the number of Contingent Replacement Rights that were eligible to be converted into Common Shares in August 2013.

(2) A special committee of Directors (the "Gemini Special Committee") was formed in August 2013 to oversee the Gemini Project.

(3) Member of the Audit Committee and Governance and Nominating Committee since November 2013.

(4) Became a member of the Gemini Special Committee in October 2013.

Messrs. Harder and Goodman are directors of the following other reporting issuers:

Name	Name of Reporting Issuer	Name of Exchange/Market
<b>V. Peter Harder</b>	Magna International Inc.	TSX
	IGM Financial Inc.	TSX
	Energizer Resources Inc.	TSX Venture Exchange
	Power Financial Corporation	TSX
<b>Russell Goodman</b>	Gildan Activewear Inc.	TSX, NYSE
	Metro Inc.	TSX
	Whistler Blackcomb Holdings Inc.	TSX

No other nominee for election as Director is a director of another reporting issuer.

## Compensation of Directors

In 2013, Mr. Temerty received \$250,000 for his contributions to Northland including serving as Chair. The compensation received by each of the other Directors is as follows. Each of the Directors received an annual fee of \$30,000 per Director in 2013. In addition to the annual fee, each Director received an additional \$1,500 in respect of each Directors' meeting attended in person or \$1,000 by telephone. Each Director who served on the Board of Directors as an Independent Director was paid an additional \$1,500 per Director in respect of each meeting of the Independent Directors attended in person or \$1,000 by telephone where the meetings required lengthy procedures. Where such meetings were associated with a board meeting and were relatively short, no compensation was paid. The Directors who served on the Audit Committee, Governance and Nominating Committee and Compensation Committee of the Corporation received an annual fee of \$5,000 per Director plus \$1,500 in respect of each Committee meeting attended in person or \$1,000 for each Committee meeting attended by telephone. The Directors who served on the Conversion Special Committee and the Gemini Special Committee received an annual fee of \$1,250 and \$10,000, respectively, per Director plus \$1,500 in respect of each Committee meeting attended in person or \$1,000 for each Committee meeting attended by telephone. The Directors who served as Chair of the Audit Committee and as Lead Director received \$15,000 each for serving in those capacities. The Director who served as Chair of the Governance and Nominating Committee received \$5,000 for acting in that capacity. The Directors who served as Chair of the Compensation Committee and the Conversion Special Committee received \$7,500 for acting in such capacity. All Directors were reimbursed for their respective out of pocket expenses in relation to their attendance at Directors' and committee meetings. Directors are entitled to receive their compensation as Directors in the form of DSUs under the DSU Plan established in August 2012 (as described below). Director compensation matters are dealt with by the Compensation Committee.

The following table sets out all amounts of compensation provided to the directors of Northland for 2013 in their capacity as Directors:

<b>Name</b>	<b>Total Fees Earned (\$)</b>
<b>Linda L. Bertoldi</b>	74,500
<b>Dr. Marie Bountrogianni</b>	67,000
<b>Sean Durfy<sup>(1)</sup></b>	90,234
<b>Pierre R. Gloutney<sup>(2)</sup></b>	88,635
<b>V. Peter Harder</b>	113,785
<b>James C. Temerty C.M.</b>	250,000
<b>The Right Honourable John N. Turner, Q.C.</b>	92,970

(1) Mr. Sean Durfy resigned as a director of Northland on January 8, 2014 and commenced his role as President and Chief Development Officer of Northland.

(2) Mr. Pierre R. Gloutney passed away on September 21, 2013. \$88,635 in fees had been earned by Mr. Gloutney at the time of his passing.

## DSU Plan for Directors

The DSU Plan was established to promote a greater alignment of interests between directors of Northland and its shareholders, by providing a means for Directors to accumulate a meaningful financial interest in Northland, commensurate with the responsibility, commitment and risk of directors; and to enhance Northland's ability to attract and retain qualified individuals with the experience and ability to serve as directors.

Pursuant to the DSU Plan, a Director is entitled to elect to receive all or any part of his or her annual compensation in the form of DSUs. The number of DSUs credited to a Director's account is determined by dividing the amount of the deferred annual compensation by the market value of the Common Shares less a discount (**the "Discount"**) of up to five percent on such market value, as may be approved at the discretion of the Board and equal to the same percentage and calculated in the same manner as the discount in effect pursuant to Northland's dividend reinvestment plan, if any. The DSUs are credited on the date that the Director's compensation would otherwise be payable and vest immediately upon being so credited. When dividends are paid on Common Shares, additional DSUs are credited to the Director as of the dividend payable date, based on multiplying the aggregate number of DSUs credited to the Director by the amount of the dividend per Common Share and dividing such product by the market value of the Common Shares less the Discount.

Upon a Director ceasing, for any reason, to hold any positions with Northland (**the "Termination Date"**) and any Subsidiary of Northland, all DSUs will be redeemed by the Corporation. A Director is not entitled to receive any amount prior to such date. A Director may elect, by providing a notice in writing to the Corporation prior to the Termination Date, that all earned DSUs be redeemed at a time subsequent to the Termination Date and prior to the end of the year following the year in which the Director's Termination Date occurs. Upon redemption, the Director is entitled to receive a cash payment equal in value to the number of earned DSUs as of the Termination Date multiplied by the market value per Common Share determined as at the Termination Date, less applicable withholding taxes.

The DSU Plan is administered by the Compensation Committee.

Certain directors have elected to receive DSUs *in lieu* of the cash compensation payable to them. The chart below shows the number of DSUs held by each director, valued at the share price for the Common Shares, as at March 31, 2014.

Name	Number of DSUs held as at March 31, 2014	Market Value of DSUs (\$)
<b>Sean Durfy<sup>(1)</sup></b>	4,494	78,196
<b>Pierre R. Gloutney<sup>(2)</sup></b>	Nil	Nil
<b>V. Peter Harder</b>	11,237	195,524
<b>The Right Honourable John N. Turner, Q.C.</b>	3,180	55,332

(1) Mr. Sean Durfy resigned as a director of Northland on January 8, 2014 and commenced his role as President and Chief Development Officer of Northland. DSUs held by Mr. Durfy were not redeemed by the Corporation as he continued to hold a position with Northland.

(2) Mr. Pierre R. Gloutney passed away on September 21, 2013. 7,676 DSUs held by Mr. Gloutney at the time of his passing were redeemed by the Corporation in accordance with the DSU Plan.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation and other than as described below, none of the persons nominated for election as Directors at the Meeting: (a) is, as at the date of this Management Information Circular, or has been, within the 10 years before the date of this Management Information Circular, a director, chief executive officer or chief financial

officer of any company that: (i) was subject to an Order that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) is, as at the date of this Management Information Circular, or has been within 10 years before the date of this Management Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within the 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

Mr. Harder resigned from the board of directors of Arise Technologies Corporation in June 2011. In December 2011, Arise Technologies Corporation ("**Arise**") filed a Notice of Intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) and PricewaterhouseCoopers Inc. was named as the trustee under the Notice of Intention. Arise was deemed to have made an assignment into bankruptcy on April 11, 2012.

To the knowledge of the Corporation, none of the persons nominated for election as Directors at the Meeting, nor any personal holding company thereof owned or controlled by them: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### Interest of Management and Others in Material Transactions

No proposed director of the Corporation or any associate or affiliate of a proposed director of the Corporation has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its Subsidiaries.

#### **Appointment of Auditors**

It is intended that the Voting Shares represented by proxies in favour of the persons shown in the enclosed form of proxy will be voted in favour of the reappointment of Ernst & Young LLP, Chartered Accountants, Licensed Public Accountants, of Toronto, Ontario, as auditors of the Corporation, unless a Voting Shareholder has specified in his, her or its proxy that his, her or its Voting Shares are to be withheld from voting in the appointment of auditors for the Corporation. Ernst & Young LLP is currently the auditor of the Corporation and has served as the auditor of Northland since April 3, 1997.

#### **Statement of Executive Compensation**

##### Compensation Discussion and Analysis

The guiding principles of Northland's compensation arrangements for executives and other senior employees are the alignment of the interests of executives and employees with those of shareholders and the need to attract and retain highly qualified personnel with the requisite skills and industry knowledge. In 2013, compensation for the Named Executive Officers as determined by the Compensation Committee primarily consisted of salary, annual cash bonuses and Deferred Rights.

## Salaries

Base salaries are meant to provide compensation that is reasonably competitive and reflective of the Corporation's results and circumstances. For 2013 the Compensation Committee determined that inflation-based adjustments to 2012 compensation was appropriate.

## Bonuses

For Messrs. Brace, Bradley, Anderson and Mantenuto, annual cash bonuses were based on performance of the Corporation against specific short term financial, development and operations targets as well as on a discretionary evaluation of personal effort and contribution. The Compensation Committee determined for 2013 that the number of assessment factors should be reduced and the distribution of weightings adjusted as compared to 2012. The Compensation Committee evaluated results for 2013 and determined the appropriate bonuses for Messrs. Brace, Bradley, Mantenuto, Anderson and Shadbolt. For Messrs. Brace, Bradley, Mantenuto and Anderson, target bonus levels were 50% of base annual salary, three-quarters of which was assessed on financial and operational factors and one quarter of which was discretionary. The specific financial and operational factors are allocated based on meeting the following targets: the annual adjusted EBITDA target, total annual shareholder return as compared to a peer group of companies, and annual project development targets through the signing of new power purchase agreements. For Mr. Shadbolt, the target bonus level was 30% of annual salary, based on the same factors as for Messrs. Brace, Bradley, Anderson and Mantenuto. Mr. Brace and Mr. Bradley received a bonus of 49.75% of base salary for 2013, Mr. Anderson a bonus of 53.50% of base salary for 2013, Mr. Mantenuto a bonus of 47.25% of base salary for 2013 and Mr. Shadbolt a bonus of 24.6% of base salary for 2013. The 2013 performance metrics, bonus target and bonus earned for this group of Named Executive Officers is shown in the following table:

Performance Measure	Performance Target	2013 Bonus Target <sup>(1)</sup>	2013 Bonus Earned <sup>(2)</sup>
<b>Adjusted EBITDA<sup>(3)</sup></b>	\$262.5 million	6.25%	6.25%
<b>Total Shareholder Return</b>	ranking vs. comparator group	6.25%	1.00%
<b>Development</b>	300 MW new development activity	25.00%	27.50%
<b>Discretionary</b>		12.50%	6.25% – 18.75% <sup>(4)</sup>
<b>Total</b>		<b>50.00%<sup>(5)</sup></b>	<b>41.00% – 53.50%<sup>(5)</sup></b>

(1) Percentage of annual salary to be paid as bonus if applicable performance target reached.

(2) Percentage of annual salary earned based on performance achieved.

(3) Adjusted earnings before interest, taxes, depreciation and amortization.

(4) For Messrs. Brace and Bradley 15.00%, for Mr. Mantenuto 12.50%, for Mr. Andersen 18.75% and for Mr. Shadbolt 6.25%.

(5) Mr. Shadbolt's 2013 target bonus was 30.00% of his annual salary. Accordingly, the percentages in the above chart are multiplied by 60.00% to determine his 2013 bonus earned.

For 2014, the Compensation Committee intends to review the annual cash bonus structure and determine whether further changes are warranted.

## Deferred Rights

Long term compensation through the award of Deferred Rights to the Named Executive Officers and other qualifying employees under the Northland LTIP is intended to reward the creation of long term shareholder value by assessing the profit created through the development, financing, construction and operation of electricity generation facilities which, when operational, will deliver the long term stable cash flows necessary to support both further development activities and Northland's annual dividend and to closely align management and shareholder interests. Prior to the Merger, certain senior executives were provided long term incentives through the NPI LTIP. Upon the Merger, the rights under the NPI LTIP were exchanged for Replacement Rights. Some of the Replacement Rights were Contingent Replacement Rights which became exercisable based on the first \$100 million of Development Profit attributable to Qualifying Projects (as those terms are defined in the Articles). All \$100 million of Development Profit was attributed to certain Qualifying Projects by the end of 2013. The Compensation Committee considered it appropriate post Merger to continue providing senior executives with long term incentives by rewarding them for Development Profit attributable to Qualifying Projects beyond the first \$100 million. The Deferred Rights issued under the program adopted in 2011 were designed accordingly.

Deferred Rights granted to Named Executive Officers in 2011 vest based upon the expected value created for shareholders from Qualifying Projects. Deferred Rights were granted for services provided by the recipient in the year of grant and subsequent years of service. The measure of value creation is Development Profit, which is essentially the fair market value of a project less the actual capital costs incurred to develop and construct that project and certain non recoverable development costs. The projects for which the Deferred Rights may vest are among those that were defined as Qualifying Projects at the time of the Merger. Each Named Executive Officer's Deferred Rights vest in proportion to the attribution of an additional \$350 million of Development Profit in respect of Qualifying Projects in excess of the first \$100 million of Development Profit.

The Deferred Rights associated with each Qualifying Project vest 75% at the time commercial operations commence and 25% up to one year later when the operational performance of the project has been demonstrated. At each of these milestones for each project, the Development Profit is assessed and the number of Deferred Rights that vest is approved by the Compensation Committee. If it is determined to be appropriate by the Compensation Committee in light of corporate or market conditions, the vesting dates may be delayed by up to one year. No Deferred Rights may vest for Qualifying Projects that have not achieved financial close by October 2016.

Recommendations for grants under the Northland LTIP (and other executive compensation) are developed by the Chief Executive Officer for senior management, discussed with the Chair of the Board of Directors and presented to the Compensation Committee for its consideration and possible recommendation to the Board of Directors. Compensation for the Chief Executive Officer is determined by the Compensation Committee and recommended to the Board of Directors for its consideration. Two of the three members of the Compensation Committee are independent Directors, while the third is the Chair of the Board of Directors.

The Compensation Committee and the Board of Directors have implicitly considered the risk that unprofitable projects might be pursued and have sought to mitigate such risk through the Board of Directors' oversight and approval of projects under development once expenditures and commitments are expected to exceed pre determined levels and on the basis that Deferred Rights only vest, or are awarded, once approved projects achieve, first, commercial operations and second, satisfactory operational performance as described above. The number of Deferred Rights that vest is based on the specific and actual Development Profit attributable to each project once actual project costs and performance are known.

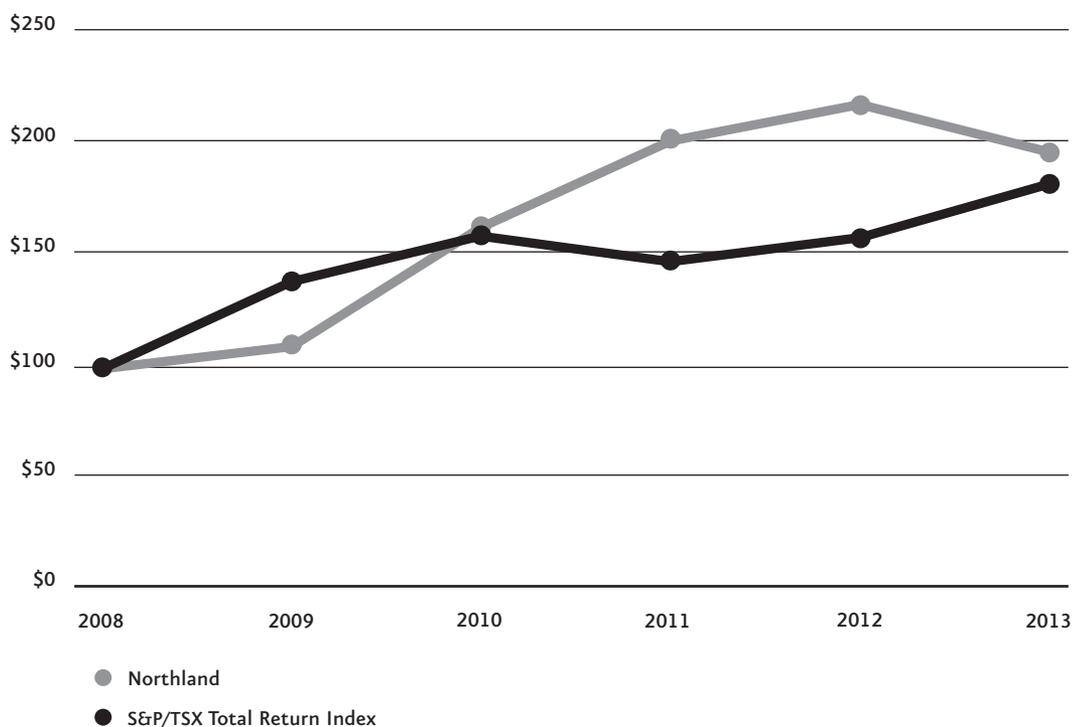
The Compensation Committee has discretion to determine the method it wishes to use for the assessment of Development Profit and the subsequent vesting of the Deferred Rights.

In 2013, a second, new Deferred Rights program was established for projects and activities other than the projects or portions of projects or acquisitions already subject to the 2011 program. The 2013 program provides that Common Shares or cash payments may be awarded based on development profits which arise from new projects or acquisitions which are developed or acquired by Northland. Awards may be made as to 25% as at Financial Close, 55% when commercial operations commence and 20% upon proof of performance. The total number of Common Shares available for distribution in respect of a particular project is, generally, based upon the price of the Common Shares, as at the date the power purchase agreement for the project is signed, and the development profit determined for the project/acquisition. Development profits are calculated based on a fair market value calculation of the particular project/acquisition at the relevant milestone.

In 2014 the Compensation Committee will be conducting a review of the Deferred Rights program to determine if changes are warranted.

#### Performance Graph

The following graph compares the cumulative total return over the five years ended December 31, 2013 of the Common Shares (and prior to the Arrangement, the units of beneficial interest of the Fund designated as “Trust Units” under the trust indenture of the Fund dated July 16, 2009) against the cumulative total return of the S&P/TSX Total Return Index (assuming a \$100 investment was made on December 31, 2008 and the reinvestment of any distributions).



The Compensation Committee believes that the positive performance of Northland as compared to the TSX Total Return Index is reflected in Executive Compensation.

## Summary Compensation Table

The following table sets forth the annual and long term compensation for each of Northland's three most recently completed financial years of the Chief Executive Officer, the Chief Financial Officer and each of the three other most highly compensated executive officers of Northland.

### SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)	Non-equity incentive plan compensation (\$)			Total compensation (\$)
			Share based awards <sup>(1)</sup> (\$)	Annual incentive plans	All other compensation <sup>(2)</sup> (\$)	
<b>John W. Brace<sup>(3)</sup></b>	<b>2013</b>	<b>409,859</b>	–	<b>203,843</b>	<b>8,676</b>	<b>622,378</b>
Chief Executive Officer	2012	397,650	–	99,450	9,868	506,968
	2011	388,935	2,158,620	116,680	8,297	2,672,532
<b>Paul Bradley<sup>(4)</sup></b>	<b>2013</b>	<b>314,968</b>	–	<b>156,802</b>	<b>615</b>	<b>472,385</b>
Chief Financial Officer	2012	305,885	–	107,100	2,004	414,989
	2011	220,385	516,945	66,115	339	803,784
<b>Sam Mantenuto<sup>(5)</sup></b>	<b>2013</b>	<b>355,914</b>	–	<b>168,282</b>	<b>12,826</b>	<b>537,022</b>
Chief Operating Officer and Vice Chair	2012	345,650	–	86,445	12,432	444,527
	2011	338,808	1,726,896	101,642	10,821	2,178,167
<b>Michael Shadbolt<sup>(6)</sup></b>	<b>2013</b>	<b>314,968</b>	–	<b>77,534</b>	<b>11,239</b>	<b>403,741</b>
Vice President, General Counsel	2012	305,885	–	68,850	12,564	387,299
	2011	293,077	–	81,000	8,114	382,190
<b>Tony Anderson<sup>(7)</sup></b>	<b>2013</b>	<b>322,473</b>	–	<b>174,663</b>	<b>12,826</b>	<b>509,962</b>
Chief Investment Officer	2012	244,765	–	43,223	12,431	300,419
	2011	338,808	1,726,896	101,642	10,821	2,178,167

(1) In 2011, the NEOs were granted Deferred Rights under the Northland LTIP. The value of the Deferred Rights granted was determined for accounting purposes in accordance with IFRS 2. The values included in the above chart represent the estimated value of the Deferred Rights granted which differs from the amount expressed in the financial statements of Northland for 2011, 2012 and 2013, which instead uses values amortized over the term of the Deferred Rights.

(2) Includes parking, RRSP contributions, medical and life insurance premiums.

(3) Mr. Brace was the President and Chief Executive Officer of the Corporation and, as of January 8, 2014, is the Chief Executive Officer, following the appointment of Mr. Durfy as President and Chief Development Officer.

(4) Mr. Bradley was appointed Chief Financial Officer on April 1, 2011.

(5) Mr. Mantenuto was Chief Operating Officer and Chief Development Officer and, as of January 8, 2014, is the Chief Operating Officer and Vice Chair, following the appointment of Mr. Durfy as noted above.

(6) Mr. Shadbolt was appointed Vice President, General Counsel on January 4, 2011.

(7) Mr. Anderson was Chief Financial Officer until April 1, 2011.

## Outstanding Share-Based Awards

The following table shows for each Named Executive Officer all share-based awards outstanding as at the end of the financial year ended December 31, 2013.

### SHARE-BASED AWARDS

Name	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
	Deferred Rights <sup>(1)</sup>		
John W. Brace	129,337	2,000,434	—
Paul Bradley	30,947	479,060	—
Sam Mantenuto	103,381	1,600,338	—
Michael Shadbolt	—	—	—
Tony Anderson	103,381	1,600,338	—

(1) These represent the maximum number of Common Shares which as of December 31, 2013 may be issued pursuant to the Deferred Rights issued under the Northland LTIP.

The following table shows for each Named Executive Officer the aggregate dollar value realized upon vesting of share-based awards and the non-equity incentive plan compensation earned during the financial year ended December 31, 2013.

### INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

Name	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John W. Brace	3,981,114 <sup>(1)</sup>	203,843
Paul Bradley	953,399	156,802
Sam Mantenuto	3,184,901 <sup>(1)</sup>	168,282
Michael Shadbolt	—	77,534
Tony Anderson	3,184,901 <sup>(1)</sup>	174,663

(1) In August 2013, Messrs. Brace, Mantenuto and Anderson received 199,833, 159,867 and 159,867 Replacement Rights, respectively, in connection with the Merger to replace their entitlements under the NPI LTIP, which was established in 1998. The exercise of these Replacement Rights was contingent on Northland Development Profits for Qualifying Projects. The “Value vested during the year” shown in the above table represents the value of the Common Shares received from the Deferred Rights issued under the Northland LTIP and does not include the value of the Replacement Rights exercised by Messrs. Brace, Mantenuto and Anderson in August, 2013.

The following table shows for each Named Executive Officer the number of each class of shares of Northland owned beneficially, directly or indirectly, by them, or over which they exercise control or direction.

Name	Number of Shares Beneficially Owned Directly or Indirectly <sup>(1)</sup>
<b>John W. Brace</b>	1,430,446 <sup>(2)</sup>
<b>Paul Bradley</b>	41,204 <sup>(3)</sup>
<b>Sam Mantenuto</b>	968,508 <sup>(4)</sup>
<b>Michael Shadbolt</b>	1,745 <sup>(5)</sup>
<b>Tony Anderson</b>	1,069,468 <sup>(6)</sup>

(1) This information, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually, as of March 31, 2014.

(2) In addition, Mr. Brace owns 129,277 Deferred Rights.

(3) In addition, Mr. Bradley owns 30,947 Deferred Rights.

(4) In addition, Mr. Mantenuto owns 103,381 Deferred Rights.

(5) Of these 1,745 Common Shares, 674 are held by Mr. Shadbolt's wife and 1,071 are held by Mr. Shadbolt.

(6) Of these 1,069,468 Common Shares, 1,063,468 are held by Mr. Anderson and 6,000 are held by Mr. Anderson's wife. In addition, Mr. Anderson owns 103,381 Deferred Rights.

Officers and directors are permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the officer or director.

#### Termination and Change of Control Benefits

No Named Executive Officer, other than Mr. Bradley and Mr. Shadbolt, is entitled to any form of compensation as a result of termination or change of control of the Corporation. Under his employment agreement, Mr. Bradley is entitled to a lump sum payment equal to twelve months base salary, plus bonus payments to the date of termination in the absence of just cause and any entitlement under the Northland LTIP which has accrued up to the date of termination. If Mr. Bradley had been terminated in the absence of just cause on the last day of 2013, it is estimated that he would have been entitled to receive \$475,000. Such payments are subject to reduction based upon the commencement date of alternative employment. Under his employment agreement, Mr. Shadbolt is entitled to a lump sum payment equal to twelve months base salary, plus certain bonus payments to the date of termination in the absence of just cause and any entitlement under the Northland LTIP which has accrued up to the date of termination. If Mr. Shadbolt had been terminated in the absence of just cause on the last day of 2013, it is estimated that he would have been entitled to receive \$410,000. Such payments are subject to reduction based upon the commencement date of alternative employment.

#### Indebtedness of Directors and Executive Officers

None of the Directors or executive officers of the Corporation is indebted to the Corporation.

## Governance Disclosure

The following summary has been approved by the Governance and Nominating Committee and describes the Corporation's approach to corporate governance in relation to the CSA Guidelines and as required by the Disclosure Rule.

### Role of the Board of Directors

The Board of Directors are the central governing body of the Corporation with full, absolute and exclusive power, control and authority over, and management of, the property, assets, affairs and undertakings of the Corporation.

The Articles provide that the Corporation shall have a minimum of three and a maximum of nine directors.

### Director Independence

The CSA Guidelines recommend that boards be made up of a majority of independent directors. Each member of the Board of Directors, except Mr. Temerty and Ms. Bertoldi, is independent for purposes of the Disclosure Rule.

Mr. Temerty is not independent as he acts as Chair of the Board of Directors on more than a part time basis.

Ms. Bertoldi is not independent as she is a partner in a law firm which receives fees from Northland.

The Independent Directors, each of whom is independent of management, hold regularly scheduled meetings following each Board of Directors' meeting and other meetings as required at which Mr. Temerty and management of the Corporation are not in attendance. The Independent Directors held seven such meetings in 2013.

Mr. Gilmour and Mr. Goodman, upon election, would be independent for the purposes of the Disclosure Rule.

### Chair and Lead Director

The CSA Guidelines recommend that boards have either a chair or a lead director who is independent for the purposes of the Disclosure Rule.

The Chair of the Board of Directors, Mr. Temerty, is not an Independent Director. Mr. Turner, an Independent Director, serves as Lead Director and Chair of the Governance and Nominating Committee. The responsibilities of the Chair and the Lead Director are set out in the Board Mandate, which is attached as Schedule A.

### Board Mandate

The CSA Guidelines recommend that boards adopt a written mandate in which, among other things, they explicitly acknowledge responsibility for the stewardship of reporting issuers.

The Board of Directors adopted the Board Mandate based on the recommendation of the Governance and Nominating Committee. The full text of the Board Mandate is attached at Schedule A.

### Position Descriptions

The CSA Guidelines recommend that boards develop position descriptions for the Chair of the Board of Directors, chairs of each committee and the Chief Executive Officer as well as to approve corporate goals and objectives that the Chief Executive Officer is responsible for meeting. The Directors' duties are outlined in the Board Mandate.

John W. Brace has been the President and Chief Executive Officer of the Corporation and, with the appointment of Mr. Durfy as President and Chief Development Officer as of January 8, 2014, Mr. Brace will continue as Chief Executive Officer. There is no written position description for the Chief Executive Officer. However, the Board of Directors expects the Chief Executive Officer to create a culture of integrity, performance and alignment with shareholder interests throughout the Corporation and its Subsidiaries.

James C. Temerty, the Chair of the Board of Directors, provides advice and counsel to management of the Corporation on issues of importance to the Chief Executive Officer or the Board of Directors.

The Board of Directors adopted position descriptions for the Chair of the Board of Directors and the Chair of the Audit Committee, the Chair of the Governance and Nominating Committee and the Chair of the Compensation Committee which are incorporated into the Board Mandate and the Audit Committee Charter, the Governance and Nominating Committee Charter and the Compensation Committee Charter, respectively.

## Orientation and Continuing Education

The CSA Guidelines recommend that comprehensive orientation programs for new directors and continuing education opportunities for all directors be instituted by reporting issuers.

The new Directors, if elected at the Meeting, will be provided by Northland management with an orientation and educational program about the duties and responsibilities of Directors and the business and operations of the Corporation.

The Corporation's management regularly provides information and copies of published reports concerning relevant industry and regulatory developments to the Directors as continuing education for the Directors and presentations are made at each meeting on key aspects of the Corporation's businesses and operations.

## Code of Business Conduct and Ethics

The CSA Guidelines recommend the adoption of a written code of business conduct and ethics, applicable to directors, officers and employees of a reporting issuer.

The Board of Directors has adopted the Code which applies to all representatives, officers and Directors of each of the Corporation and all other entities established by the Corporation.

The Code is filed on SEDAR and can be reviewed and obtained from the website, [www.sedar.com](http://www.sedar.com) under the Corporation's profile. Upon request, the Corporation will promptly provide a copy of the Code free of charge to a shareholder.

The Board of Directors appointed Mr. Harder, an Independent Director and Chair of the Audit Committee, as its representative with respect to the reporting of contraventions of the Code. Individuals who contravene, or deviate from, the Code, or who are aware of contraventions of or deviations from the Code, are required to report the matter to management of the Corporation or Mr. Harder. The Code provides for the anonymous reporting of information and a prohibition on any retaliation with respect to reporting, in order to encourage ethical conduct. The Corporation has also established a Financial Integrity Policy with respect to the reporting of questionable auditing or accounting practices.

The Code requires individuals, including Directors, to advise management of the Corporation or Mr. Harder if they believe that they might have a personal interest that may put them in a position of conflict. A Director who has a material interest in a matter before the Board of Directors is required to abstain from voting on the matter and may be required to absent himself from the meeting while discussion of the issue takes place. In situations where a Director has a material interest in a matter to be considered by the Board of Directors, such Director may be required to absent himself or herself from the meeting while discussions, and voting, with respect to the matter taking place.

No waivers of, or departures from, compliance with the Code have occurred or been granted.

## Nomination of Directors

The CSA Guidelines recommend the institution of a nominating committee composed entirely of independent directors as well as a written charter with respect to the committee. The CSA Guidelines make recommendations with respect to the process that should be followed prior to nominating or appointing individuals as directors.

Mr. Turner, Dr. Bountrogianni and Ms. Bertoldi are the current members of the Governance and Nominating Committee with Mr. Turner, Lead Director, serving as Chair of that Committee. Each member of the Governance and Nominating Committee, except Ms. Bertoldi, is an Independent Director. The Governance and Nominating Committee is responsible for identifying all proposed candidates for nomination as Directors having regard to the skills, competencies and experience that it considers appropriate for the Board of Directors to possess in order to effectively guide the long term strategy and ongoing business of the Corporation. The Independent Directors who are members of the Governance and Nominating Committee have recommended Mr. Gilmour and Mr. Goodman as candidates to serve as Directors to fill the vacancies on the Board of Directors resulting from the death of Mr. Gloutney and the resignation of Mr. Durfy.

## Compensation Committee

The CSA Guidelines recommend the institution of a compensation committee composed entirely of independent directors as well as a written charter with respect to the committee. The CSA Guidelines make recommendations with respect to the responsibilities of a compensation committee.

The Board of Directors adopted the Compensation Committee Charter based on the recommendation of the Compensation Committee. The Charter sets out procedures, responsibilities, composition and authority of the Compensation Committee. Messrs. Harder and Temerty and Dr. Bountrogianni are the current members of the Compensation Committee with Mr. Harder serving as Chair of that Committee. Each member of the Compensation Committee, except Mr. Temerty, is an Independent Director. Meetings of the Compensation Committee are held at such times as it deems necessary to fulfill its responsibilities. The Compensation Committee is responsible for reviewing and approving Northland's compensation strategy, evaluating the activities of the Chief Executive Officer and determining his or her compensation, monitoring the compensation of Directors and senior officers of the Corporation, the approval of grants of awards under the Northland LTIP, reviewing and approving employment agreements, severance agreements and retirement agreements and other compensation arrangements.

As secretary of the Treasury Board of Canada, Mr. Harder was responsible for executive compensation and collective bargaining for members of the public service. Mr. Harder also serves as the chair of the compensation committees for two other non public entities and is a member of the compensation committee for two other public entities.

In her roles as a former cabinet minister and the former President and Executive Director of the Royal Ontario Museum's Board of Governors, Dr. Bountrogianni has extensive managerial experience and executive experience with an emphasis on public accountability.

Mr. Temerty founded Northland Power Inc. in 1987 as the chief executive officer and subsequently became the Chair of Northland Power Inc. with direct responsibility for determining compensation of senior management and other employees. Mr. Temerty has an in depth knowledge of the company, its personnel and the electricity industry. Prior to forming Northland Power Inc., Mr. Temerty had extensive business and managerial experience through owning and operating a chain of ComputerLand Stores and holding management positions at IBM. Mr. Temerty also served in leadership roles at Softchoice Corporation.

As Mr. Temerty is not independent, the Independent Directors who are members of the Compensation Committee, make final recommendations concerning Mr. Temerty's compensation in order to ensure an objective process for determining compensation.

## Regular Board Assessments

The CSA Guidelines require that boards, committees and individual directors should be regularly assessed regarding their effectiveness and contribution.

The Governance and Nominating Committee, under the direction of Mr. Turner, the Lead Director and Chair of the Governance and Nominating Committee, is responsible for assessing the performance of the Board of Directors, its committees and individual Directors.

Mr. Turner as Lead Director has typically reviewed with each individual Director that Director's individual performance on the Board of Directors and his evaluation of the performance of the Board of Directors as a whole. The Governance and Nominating Committee then reviews the assessments conducted by the Lead Director of the performance of individual Directors and of the Board of Directors as a whole.

## Other Board Committees

The Board of Directors currently has no standing committees other than the Audit Committee, the Governance and Nominating Committee and the Compensation Committee. A special committee of Directors, the Gemini Special Committee, was formed in August 2013 to monitor Northland's investment in the Gemini Project. Since its formation, the Gemini Special Committee has met regularly with senior management of Northland to review the progress of

the Gemini Project and its development and financing activities. The members of the Gemini Special Committee are Messrs. Temerty and Harder and Ms. Bertoldi. Mr. Durfy was a member of the Gemini Special Committee until his resignation from the Board of Directors as of January 8, 2014 and Mr. Gloutney was a member of the Gemini Special Committee until his passing on September 21, 2013.

Given the small size of the Board of Directors, the Directors have decided not to establish any additional separate committees at this time. Accordingly, the Directors generally operate as a committee of the whole. However, where it is appropriate to operate through a committee other than the Audit Committee, the Governance and Nominating Committee or the Compensation Committee, the committee will be composed of a majority of Independent Directors.

#### Audit Committee

The Board of Directors has established an Audit Committee comprised entirely of Independent Directors. Details regarding the Audit Committee, its members and their responsibilities are provided in the Corporation's AIF. The text of the Audit Committee Charter is contained at Schedule "A" to the AIF. The AIF is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Corporation's profile. Upon request, the Corporation will promptly provide a copy of the AIF free of charge to a shareholder.

## LONG TERM INCENTIVE PLAN

Pursuant to the Northland LTIP, employees, officers and consultants are eligible for awards of contingent Deferred Rights, at the discretion of the Compensation Committee. Deferred Rights may be granted for services provided by the recipient in the year of grant and for prior or subsequent years of service. Awards of Deferred Rights may vest, as determined by the Compensation Committee, over a period of time contingent on the achievement of pre established performance criteria for vesting and the participant's continued employment. Alternatively, under the program adopted by the Compensation Committee in 2013, Deferred Rights may be granted and vest simultaneously, provided that criteria for the achievement of development profits on projects developed or acquired by the Corporation have been met. Upon vesting, each vested Deferred Right represents the right to receive one Common Share or a cash payment equal to the market value of one Common Share.

Performance criteria for vesting may include return to Common Shareholders, successful project development activities, financial performance or results of the Corporation or a business unit, operations results, market price of the Common Shares, or other criteria as determined by the Compensation Committee from time to time. The conditions for vesting may relate to all or a portion of the Deferred Rights in a grant and may be graduated such that different percentages of the Deferred Rights will become vested depending on the extent of satisfaction of one or more such conditions. As noted above, the criteria adopted by the Compensation Committee for the 2013 program are based on the achievement of development profits on projects developed or acquired by the Corporation.

Deferred Rights granted under the Northland LTIP are evidenced by a grant agreement, specifying the number of Deferred Rights and, as applicable, any vesting terms, performance periods and expiration of such Deferred Rights. The grant agreements will also specify any other terms and conditions which the Compensation Committee may in its discretion determine.

The Northland LTIP provides that up to 3,100,000 Common Shares will be issuable under the Northland LTIP. The maximum number of 3,100,000 issuable to insiders under the Northland LTIP (and any other security based compensation arrangements of the Corporation) represents 2.1% of the total number of outstanding Common Shares and Class A Shares as of March 31, 2014. Subject to the foregoing limits, the Compensation Committee will have the discretion to impose limitations on grants to any particular individual in any given year and on aggregate grants to insiders in any given year.

The Northland LTIP provides that, in the event of the participant's termination of employment or service for reasons other than cause, all unvested Deferred Rights are forfeited, unless the Compensation Committee determines otherwise in its discretion, and all vested Deferred Rights will be settled as at the time of resignation, termination, retirement, death or permanent disability. The Compensation Committee will have the discretion to determine if, in the event of termination of employment or service for reasons other than cause, any or all of the participant's unvested Deferred Rights will not be forfeited and instead will become automatically vested or will vest pursuant to a vesting schedule determined by the Compensation Committee, or as the Compensation Committee may otherwise determine. In the event of termination for cause, all outstanding Deferred Rights will be forfeited.

The Compensation Committee will have the discretion to determine, on the occurrence of certain specified change of control events, if any or all unvested Deferred Rights will become immediately vested and, if applicable, if any unvested Deferred Rights will be converted into an acquiror's securities offered on terms substantially equivalent to those then applicable to such unvested Deferred Rights.

The Northland LTIP provides that the Compensation Committee will have the discretion to grant additional Deferred Rights to participants to reflect cash dividends paid by the Corporation on its Common Shares. In the event of a subdivision or consolidation of Common Shares or the declaration of a dividend payable in Common Shares or other change to the Common Shares, the number of Deferred Rights will be adjusted to reflect such subdivision, consolidation, dividend or change.

Deferred Rights granted under the Northland LTIP are not transferable or assignable, other than by operation of law.

The Northland LTIP provides that the prior approval of Common Shareholders is required for any amendment to the Northland LTIP that: (i) increases the maximum number of Common Shares issuable pursuant to the Northland LTIP; (ii) extends the last date on which Common Shares may be issued to insiders under the Northland LTIP; (iii) adds additional categories of participants to the Northland LTIP; (iv) extends the term of Deferred Rights beyond their original expiry date; (v) permits Deferred Rights to be assignable or transferable (other than by operation of law); and (vi) amends the amending provisions.

The Board of Directors approved amendments to the Northland LTIP, effective August 8, 2012, to provide that on the settlement of vested Deferred Rights, the Corporation has the discretion to either issue Common Shares or pay the holder a cash amount equal to the market value (determined based on the five-day weighted volume average trading price). Further amendments were approved effective November 8, 2013, to: (a) provide that, for Deferred Rights granted after the date of such amendment, vesting and settlement pursuant to the Northland LTIP must occur by no later than December 31 of the third calendar year following the year of service for which such Deferred Rights were granted; and (b) to clarify that the amendments to the Northland LTIP approved by the Board of Directors on August 8, 2012, are effective only in respect of Deferred Rights granted after that date, and do not apply to the Deferred Rights granted prior to August 8, 2012 to the executives.

As at March 31, 2014, 1,555,155 Deferred Rights had been granted to executives and other participants pursuant to the Northland LTIP, representing 1% of the total number of outstanding Common Shares and Class A shares as at March 31, 2014.

## ADDITIONAL INFORMATION

Current financial information for the Corporation is provided in the Corporation's comparative financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to the Corporation can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Corporation's profile and on the Corporation's website at [www.northlandpower.ca](http://www.northlandpower.ca).

Copies of Northland's AIF, annual report, Annual MD&A, financial statements and this Management Information Circular may be obtained upon request to the Corporation's Investor Relations group. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder.

## DIRECTORS' APPROVAL

The contents and the distribution of this Management Information Circular have been approved by the Board of Directors.

**DATED** at Toronto, Ontario, on April 17, 2014.

A handwritten signature in black ink, appearing to read "John W. Brace", written in a cursive style.

**John W. Brace**

Chief Executive Officer

Northland Power Inc.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Management Information Circular:

“**\$**” means Canadian dollars, unless otherwise specified.

“**AIF**” means the annual information form of Northland dated February 19, 2014.

“**Annual MD&A**” means the management discussion and analysis of results of operations and financial condition of Northland for the year ended December 31, 2013.

“**Arrangement**” means the arrangement under the provisions of section 182 of the *Business Corporations Act* (Ontario) pursuant to which the Fund converted from an income trust to a corporation called Northland Power Inc., which owns all of the assets and is subject to all of the liabilities (other than intercompany assets and liabilities) of the Fund, and continues the business of the Fund and its Subsidiaries.

“**Articles**” means the articles of amalgamation of Northland, dated January 1, 2013.

“**Beneficial Common Shareholders**” means persons who hold their Common Shares through their investment dealer, broker or other intermediary.

“**Board of Directors**” or “**Directors**” means, at any time, the individuals who are the directors of the Corporation at such time.

“**Board Mandate**” means the written mandate of the Board of Directors.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Class A Shares**” means the Class A shares in the capital of the Corporation.

“**Class B Convertible Shares**” means the Class B convertible shares in the capital of the Corporation.

“**Class C Convertible Shares**” means the Class C convertible shares in the capital of the Corporation.

“**Code**” means the written Code of Business Conduct and Ethics of the Board of Directors.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**Common Shareholders**” means the holders of the Common Shares.

“**Computershare**” means Computershare Trust Company of Canada.

“**Contingent Replacement Rights**” means those Replacement Rights for which convertibility was based upon development success

“**Corporation**” means prior to January 1, 2011, the Fund, and after January 1, 2011, the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund pursuant to the terms of the Arrangement, called Northland Power Inc.

“**CSA Guidelines**” means National Policy 58-201 – *Corporate Governance Guidelines*.

“**Deferred Rights**” means the deferred rights issued under the Northland LTIP.

“**Development Profit**” has the meaning given to it in the Articles.

“**Disclosure Rule**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

**“DSU”** means a deferred share unit issued under the DSU Plan.

**“DSU Plan”** means the deferred share unit plan for directors of Northland, dated August 8, 2012, as amended November 6, 2012.

**“Form of Proxy”** means the form of proxy distributed by the Corporation in connection with the Meeting.

**“Fund”** means Northland Power Income Fund, an unincorporated trust created under the laws of the Province of Ontario.

**“Gemini”** or **“Project Gemini”** means the 600 MW off-shore wind project under development off the coast of the Netherlands in the North Sea.

**“IFRS”** means the International Financial Reporting Standards.

**“Management Information Circular”** means this management information circular of the Corporation to be distributed to Voting Shareholders in respect of the Meeting.

**“Meeting”** means the annual meeting of shareholders of the Corporation to be held on May 21, 2014, and any adjournment(s) thereof.

**“Merger”** means the indirect acquisition by the Fund, on July 16, 2009, of all of the issued and outstanding shares of NPI from NPHI and the completion of related transactions, on the terms and conditions set forth in the share purchase agreement dated April 23, 2009, as amended.

**“Named Executive Officers”** or **“NEOs”** means the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Corporation (or its Subsidiaries) as specified in Form 51-102F6 – *Statement of Executive Compensation*.

**“Northland”** means, prior to January 1, 2011, the Fund, and after January 1, 2011, the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund pursuant to the terms of the Arrangement, called Northland Power Inc.

**“Northland LTIP”** means the long term incentive plan for officers, consultants and employees of Northland and its Subsidiaries, as amended or revised.

**“Notice of Meeting”** means the notice of the Meeting that accompanies this Management Information Circular.

**“NPHI”** means Northland Power Holdings Inc., a corporation incorporated under the laws of the Province of Ontario.

**“NPI”** means Northland Power Inc., a corporation incorporated under the laws of the Province of Ontario, which is a predecessor to the Corporation.

**“NPI LTIP”** means the long term incentive plan for senior management of NPI, which was in effect prior to the Merger, under which participants had the right to acquire shares of NPI in certain circumstances.

**“NPI LTIP Participants”** means John W. Brace, Anthony F. Anderson, Salvatore Mantenuto, Dino Gliosca, Frederick G. Brown, David Dougall and Jim Cipolla.

**“Order”** means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

**“Qualifying Project”** has the meaning given to it in the Articles.

**“Replacement Rights”** means the rights of NPI LTIP Participants to acquire Common Shares for no additional payment, on or after January 16, 2012.

**“Series 1 Preferred Shares”** means the cumulative rate reset preferred shares, series 1 of the Corporation.

**“Series 3 Preferred Shares”** means the cumulative rate reset preferred shares, series 3 of the Corporation.

**“Subsidiary”** has the meaning specified in Section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, as it exists on the date hereof.

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

**“Voting Form”** means a voting instruction form.

**“Voting Shareholders”** means the holders of Common Shares and Class A Shares.

**“Voting Shares”** means Common Shares and Class A Shares.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

## **SCHEDULE "A"**

### **NORTHLAND POWER INC.**

#### **MANDATE FOR THE BOARD OF DIRECTORS**

As provided in its articles, Northland Power Inc. (**the "Corporation"**) shall have a board of directors (**the "Board"**) consisting of a minimum of five and a maximum of nine directors.

#### **DUTIES OF DIRECTORS**

The Board is responsible for the stewardship of the affairs of the Corporation and all of the corporations, trusts, partnerships and other entities, which may be owned or controlled by the Corporation (**the "Entities"**). The Board seeks to discharge such responsibility by supervising the actions of the management of the Corporation and the Entities.

The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Governance and Nominating Committee and the Compensation Committee. In addition to these standing committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. The Board's primary role is to oversee the performance of management in order to meet the Corporation's strategic objectives to enhance and preserve the business of the Corporation. Other principal duties include, but are not limited to, the following matters:

#### **Board Organization**

The Board will respond to recommendations received from the Governance and Nominating Committee, but retains responsibility for managing its own affairs, the selection of the Chair of the Board, candidates nominated for election to the Board (other than those elected by the Class A shareholders), committee and committee chair appointments, committee charters and director compensation.

The Board may delegate to Board committees matters for which it is responsible, including the approval of compensation of the Board, the conduct of performance evaluations of directors and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

#### **Strategic Planning, Acquisitions and Investments**

The Board has responsibility to oversee a management-driven strategic planning process consistent with the investment objectives of the Corporation and the Board is responsible for approving on at least an annual basis, a strategic plan which takes into account the opportunities and risks of the business.

The Board is responsible for reviewing, discussing and approving all material contracts, transactions, acquisitions and investments.

The Board is responsible for providing input to management on emerging trends and issues and on management objectives and goals.

#### **Monitoring of Financial Performance and Financial Statements**

The Board is responsible for monitoring the financial performance of the Corporation and for approving the level of distributions paid by the Corporation.

The Board is responsible for approving the Corporation's audited financial statements, interim financial reports and the notes and Management's Discussion and Analysis accompanying such financial statements.

## **Risk Management**

The Board is responsible for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation.

## **Policies and Procedures**

The Board is responsible for:

- approving and monitoring compliance with all significant policies and procedures by which the business of the Corporation is operated.
- approving policies and procedures designated to ensure that the Corporation and all Entities operate at all times within applicable laws and regulations and in accordance with ethical and moral standards.

## **Communications and Reporting**

The Board has approved and will revise from time to time as circumstances warrant a disclosure policy to address communications with shareholders, employees, financial analysts, investors, governments and regulatory authorities, the media and the Canadian and international communities.

The Board is responsible for:

- overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security-holders and regulators on a timely and regular basis
- overseeing that the financial results of the Corporation are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements
- taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation
- approving all prospectuses, financial statements, the Corporation's annual information form and management information circular.

## **CHAIR OF THE BOARD**

### **Introduction**

The Board selects its chair (**the "Chair"**) from among its members to lead the Board in the course of its work. The Chair is responsible for the overall process involved in the work of the Board, as well as the development and effective performance of the Board.

The Chair provides advice and counsel to senior management of the Corporation on issues of importance to senior management or the Board.

### **Key Responsibilities of the Chair**

- reviews the preparation of the agendas for all Board and, if required, shareholder meetings
- presides at all Board and shareholder meetings
- ensures that the Board receives regular updates on all issues important to the Corporation
- ensures that Board members understand major issues, strategy and risks
- works closely with the chairs of the Board's committees to ensure that all of the committees' responsibilities are carried out
- works collectively and individually with members of the Board to ensure optimum performance of the Board

## LEAD DIRECTOR

### Appointment

The lead director (**the “Lead Director”**) is appointed by the Board annually. The Lead Director must always be an independent director within the meaning of National Instrument 58-101, as amended from time to time.

### Responsibilities

The Lead Director shall:

- ensure that the Board functions independently of management
- ensure that independent directors have adequate opportunities to meet to discuss issues without representatives of management present
- chair separate meetings of the independent directors
- be available to Board members who have concerns that cannot be addressed through the Chair or meetings of the Board
- chair meetings of the Board in the absence of the Chair
- as requested by the Board act as a liaison between the Board and management
- in consultation with the Chair and management set the agenda for Board meetings
- ensure the Board has the requisite resources to support its work effectively
- ensure a process is in place to monitor legislated and best practices which relate to the responsibilities of the Board
- ensure the process is in place to regularly assess the effectiveness of the Board, its committees and individual Board members.



