

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

This prospectus supplement, together with the accompanying short form base shelf prospectus dated April 17, 2014 to which it relates, as amended or supplemented (the “**Prospectus**”), and each document incorporated by reference into the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. See “Plan of Distribution”.

The Prospectus, as supplemented by this prospectus supplement, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and thereby only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Accordingly, subject to certain exceptions, these securities may not be offered or sold in the United States of America or to, or for the benefit of, U.S. persons. See “Plan of Distribution”.

**Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager, Investor Relations of Northland Power Inc. at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario, Canada, M4V 3A1, Telephone: (647) 288-1438 and Fax: (416) 962-6266, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED APRIL 17, 2014

New Issue

January 15, 2015



**NORTHLAND POWER INC.**

**\$150,000,000**

### **4.75% Convertible Unsecured Subordinated Debentures, Series C**

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**Price: \$1,000 per Series C Debenture**

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The Prospectus, as supplemented by this prospectus supplement, qualifies for distribution (the “**Offering**”) \$150,000,000 aggregate principal amount of 4.75% convertible unsecured subordinated debentures, Series C (the “**Series C Debentures**”) of Northland Power Inc. (“**Northland**”).

#### **The Series C Debentures**

The Series C Debentures shall bear interest from, and including, the date of closing of the Offering at the rate of 4.75% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2015. The Series C Debentures will be dated as of the closing of the Offering and will have a maturity date of June 30, 2020 (the “**Maturity Date**”).

#### **Series C Debenture Conversion Privilege**

Each Series C Debenture will be convertible into fully-paid, non-assessable and freely tradeable common shares (each a “**Common Share**”) of Northland (the “**Underlying Shares**”) at the option of the holder of a Series C Debenture (the “**Debentureholder**”) at any time prior to 5:00 p.m. (Toronto time) on the earlier of: (i) the Maturity Date, and (ii) the last business day immediately preceding the date specified by Northland for the redemption of the Series C Debentures, at a conversion price of \$21.60 per Common Share (the “**Conversion Price**”), being a conversion ratio of approximately 46.2963 Common Shares per \$1,000 principal amount of the Series C Debentures, subject to adjustment in certain events in accordance with the Indenture (as defined herein). Debentureholders converting their Series C Debentures will also receive accrued and unpaid interest on such Series C Debentures for the period from and including the last interest payment date on their Series C Debentures (or the date of closing of the Offering if no interest has yet been paid with respect to their Series C Debentures) to and including the last record date declared by Northland, occurring prior to the date of conversion, for determining the holders of Common Shares entitled to receive a distribution or dividends on the Common Shares. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under “*Details of the Offering — Conversion Privilege*”. A Debentureholder will not be entitled to deferred tax treatment on the redemption or repayment at maturity of such Series C Debentures. See “*Certain Canadian Federal Income Tax Considerations*”.

(continued on next page)

The Series C Debentures shall not be redeemable prior to June 30, 2018. On and after June 30, 2018 and prior to June 30, 2019, the Series C Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of Northland on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption, provided that the volume-weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") (if the Common Shares are then-listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the Conversion Price. On and after June 30, 2019, and prior to the Maturity Date, the Series C Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of Northland on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. Subject to regulatory approval and other conditions, Northland may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Series C Debentures which are to be redeemed or which have matured by issuing and delivering to the Series C Debentureholders that number of freely-tradeable Common Shares obtained by dividing the principal amount of the Series C Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. In addition, subject to regulatory approval and other conditions, Northland may elect, from time to time, to satisfy its obligation to pay interest on the Series C Debentures on the date interest is payable under the Indenture, by issuing and delivering freely-tradeable Common Shares to the Debenture Trustee (as defined herein) to be sold by the Debenture Trustee for proceeds, which together with any cash payments to be made by Northland in lieu of fractional Common Shares, are sufficient to satisfy all of Northland's obligations to pay interest on the Series C Debentures in accordance with the Indenture. See "Details of the Offering".

BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc., Canaccord Genuity Corp., FirstEnergy Capital Corp., Casgrain & Company Limited and Cormark Securities Inc. are acting as underwriters (collectively, the "Underwriters") of this Offering. The Underwriters, as principals, conditionally offer the Series C Debentures, subject to prior sale, if, as and when issued by Northland and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of Northland by Borden Ladner Gervais LLP, and on behalf of the Underwriters by McCarthy Tétrault LLP. The terms of the Offering were determined by negotiation between: (i) Northland, and (ii) BMO Nesbitt Burns Inc., CIBC World Markets Inc. and National Bank Financial Inc. on behalf of the Underwriters. See "Plan of Distribution".

The issued and outstanding Common Shares are listed on the TSX under the trading symbol "NPI". On January 13, 2015, the last completed trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$15.89. On January 14, 2015, the last trading day before the filing of this prospectus supplement, the closing price of the Common Shares on the TSX was \$15.79. The TSX has conditionally approved the listing of the Series C Debentures, as well as the Underlying Shares. Listing will be subject to Northland fulfilling all of the listing requirements of the TSX on or before April 15, 2015.

**There is currently no market through which the Series C Debentures may be sold and purchasers may not be able to resell the Series C Debentures purchased pursuant to this Offering. This may affect the pricing of the Series C Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".**

	<b>Offering Price to the Public</b>	<b>Underwriters' Fees</b>	<b>Net Proceeds to Northland<sup>(2)</sup></b>
Per Series C Debenture.....	\$1,000	\$40 <sup>(1)</sup>	\$960
Total <sup>(3)</sup> .....	\$150,000,000	\$6,000,000	\$144,000,000

Notes:

- (1) The fee payable to the Underwriters in respect of the Offering is 4.0% of the gross proceeds of the Offering. The Underwriters' fee is payable upon closing of the Offering.
- (2) Before deducting expenses of the Offering, estimated to be \$500,000 (exclusive of HST).
- (3) Northland has granted to the Underwriters an over-allotment option (the "Over-Allotment Option") to purchase up to an additional \$7,500,000 principal amount of Series C Debentures at the offering price of \$1,000 per \$1,000 principal amount of Series C Debentures, on the same terms and conditions as the Offering, exercisable in whole or in part, at any time and from time to time within 30 days of the closing of the Offering. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to Northland (before deducting expenses of the Offering) will be \$157,500,000, \$6,300,000 and \$151,200,000 respectively. This prospectus supplement also qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Series C Debentures pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution". The following table sets forth the number of Series C Debentures that may be issued by Northland pursuant to the Over-Allotment Option.

<u><b>Underwriters' Position</b></u>	<u><b>Maximum number of Series C Debentures</b></u>	<u><b>Exercise period</b></u>	<u><b>Exercise price</b></u>
Over-Allotment Option	\$7,500,000 principal amount of Series C Debentures	Exercisable within 30 days of the closing of the Offering	\$1,000 per Series C Debenture

Subscriptions for Series C Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about January 22, 2015 (the “**Closing Date**”) or such other date not later than February 23, 2015 as Northland and the Underwriters may agree upon. Except as described below, at the closing, the Series C Debentures qualified for distribution under this Offering will be available for delivery in book-entry form through the CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee, and will be deposited with CDS. Subject to certain exceptions, purchasers of the Series C Debentures issued hereunder will receive only a customer confirmation from the registered dealer that is a CDS Participant and from or through which such Series C Debentures are purchased and shall not have the right to receive physical certificates evidencing their ownership of such Series C Debentures. Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series C Debentures at levels other than those that might otherwise prevail on the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

**After the Underwriters have made a *bona fide* effort to sell all of the Series C Debentures offered pursuant to this Offering, at the respective offering prices fixed in this prospectus supplement, the Underwriters may reduce the respective offering prices or otherwise change the selling terms from time to time. Any such reduction should not affect the proceeds received by Northland. See “*Plan of Distribution*”.**

**There are certain risks inherent in an investment in Northland. Prospective investors should carefully consider these risks before purchasing the Series C Debentures. See “*Risk Factors*”.**

**Each of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and Desjardins Securities Inc. is a wholly-owned subsidiary of a Canadian chartered bank which has provided certain credit facilities to Northland. Accordingly, Northland could be considered a “connected issuer” of each such Underwriter for purposes of the securities legislation of certain Canadian provinces. See “*Plan of Distribution*”.**

**The earnings coverage ratio in respect of Northland’s indebtedness for the 12-month period ending September 30, 2014 is less than one-to-one. See “*Earnings Coverage Ratios of Northland*”.**

Northland’s registered and head office is at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario, Canada M4V 3A1.

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## IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the 4.75% convertible unsecured subordinated debentures, Series C (the “**Series C Debentures**”) being offered and also adds to and updates certain information contained in the Prospectus (as defined below) and the documents incorporated by reference therein. The second part, the accompanying base shelf prospectus dated April 17, 2014, gives more general information, some of which may not apply to the Series C Debentures offered hereunder. The accompanying short form base shelf prospectus is referred to as the “**Prospectus**” in this prospectus supplement.

**Northland Power Inc. (“Northland”) is not, and the Underwriters are not, making an offer to sell these Series C Debentures in any jurisdiction where the offer or sale is not permitted.**

In this prospectus supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars, and references to “**dollars**” or “**\$**” are to Canadian dollars.

### DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the offering of the Series C Debentures described in this prospectus supplement (the “**Offering**”). Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus. The following documents of Northland, as filed with the securities commission or similar authority in each of the provinces of Canada, are also specifically incorporated by reference in, and form an integral part of, the Prospectus and this prospectus supplement:

- (a) annual information form of Northland dated February 19, 2014 for the year ended December 31, 2013 (the “**AIF**”);
- (b) audited consolidated financial statements of Northland for the year ended December 31, 2013, including the consolidated balance sheets as at December 31, 2013 and 2012 and January 1, 2012 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2013 and 2012 and related notes, together with the auditors’ report thereon dated February 19, 2014 (the “**Annual Financial Statements**”);
- (c) management’s discussion and analysis related to the Annual Financial Statements;
- (d) unaudited interim consolidated financial statements of Northland for the three and nine months ended September 30, 2014, including the consolidated balance sheets as at September 30, 2014 and December 31, 2013 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the three and nine months ended September 30, 2014 and 2013 and related notes (the “**Q3 Financial Statements**”);
- (e) management’s discussion and analysis related to the Q3 Financial Statements;
- (f) management information circular dated April 17, 2014 prepared in connection with the annual meeting of shareholders held on May 21, 2014;
- (g) material change report of Northland dated February 25, 2014 in respect of the offering of common shares of Northland (“**Common Shares**”) and 5.00% extendible convertible unsecured subordinated debentures of Northland (“**Series B Debentures**”);
- (h) material change report of Northland dated May 20, 2014 in respect of the financial close of the 600 Megawatt Gemini offshore wind project (the “**Gemini Project**”); and
- (i) template version (as defined in National Instrument 41-101 – *General Prospectus Requirements*) of the term sheet (the “**Term Sheet**”) dated January 13, 2015 in respect of the Series C Debentures prepared for potential investors in connection with the Offering. See “*Marketing Materials*”.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager, Investor Relations of Northland Power Inc. at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario M4V 3A1, telephone (647) 288-1438 and fax (416) 962-6266, and are also available electronically at www.sedar.com under Northland's profile.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by Northland with the securities commission or similar authority in each of the provinces of Canada after the date of this prospectus supplement and prior to the termination of the distribution of the Series C Debentures shall be deemed to be incorporated by reference in the Prospectus and this prospectus supplement.

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

#### MARKETING MATERIALS

Any template version of any marketing materials filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering after the date of this prospectus supplement but prior to the termination of the distribution of the securities under this prospectus supplement (including any amendments to, or an amended version of, any template version of marketing materials) is deemed to be incorporated by reference in this prospectus supplement. The Term Sheet incorporated by reference in this prospectus supplement stated that, upon conversion of the Series C Debentures, holders will be eligible for accrued interest up to but excluding the date of conversion. However, as described under “*Details of the Offering – Conversion Privilege*”, holders converting their Series C Debentures will be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect thereof for the period from and including the latest interest payment date, up to and including the last record date set by Northland prior to the date of conversion for determining shareholders entitled to receive a distribution or dividends on the Common Shares. See “*Details of the Offering – Conversion Privilege*”.

#### NON-IFRS MEASURES

This prospectus supplement, the Prospectus and the documents incorporated by reference herein include references to Northland's adjusted earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and free cash flow, measures not prescribed by International Financial Reporting Standards (“**IFRS**”). Adjusted EBITDA and free cash flow, as presented, may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA and free cash flow are widely accepted financial indicators used by investors to assess the performance of a company, including its ability to generate cash through operations.

Readers should refer to: (i) Section 5: Consolidated Results, in Northland's management's discussion & analysis, related to the Annual Financial Statements for an explanation of adjusted EBITDA and free cash flow and a reconciliation of Northland's reported adjusted EBITDA to its consolidated income (loss) before taxes; and (ii) Section 6: Equity, Liquidity and Capital Resources, in Northland's management's discussion & analysis related to the Annual Financial Statements for a reconciliation of Northland's free cash flow to its cash provided by operating activities.

## FORWARD-LOOKING STATEMENTS

This prospectus supplement, the Prospectus and the documents incorporated by reference herein contain certain forward-looking statements which are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". These statements may include, without limitation, statements regarding future adjusted EBITDA, cash flows and dividend payments, the construction, completion, attainment of commercial operations, cost and output of development projects (including Nordsee One), plans for raising capital, and the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. This information is based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans, its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, construction risks, counterparty risks, operational risks, the variability of revenues from generating facilities powered by intermittent renewable resources and the other factors described in the "Risks and Uncertainties" section of the AIF, which can be found at [www.sedar.com](http://www.sedar.com) under Northland's profile and on Northland's website [www.northlandpower.ca](http://www.northlandpower.ca). Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur.

The foregoing does not constitute an exhaustive list of the factors that may affect Northland's forward-looking statements. Other risks and uncertainties not presently known to Northland or that Northland presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

The forward-looking statements contained in this prospectus supplement, the Prospectus and the documents incorporated by reference herein are based on assumptions that were considered reasonable as of the date of this prospectus supplement. Readers are cautioned not to place undue reliance on the forward-looking statements, which reflect Northland's expectations only as of the date of this prospectus supplement. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for one Euro, expressed in Canadian dollars, as published by the Bank of Canada.

	<b>Period Ended Sept. 30, 2014</b>		<b>Year Ended December 31</b>		
	<u>3 months</u> (\$)	<u>9 months</u> (\$)	<u>2014</u> (\$)	<u>2013</u> (\$)	<u>2012</u> (\$)
Highest noon rate during the period	1.4729	1.5549	1.5549	1.4724	1.3446
Lowest noon rate during the period	1.4042	1.4042	1.3927	1.2859	1.2153
Average noon spot rate for the period	1.4421	1.4830	1.4671	1.3681	1.2850
Rate at the end of the period	1.4153	1.4153	1.4038	1.4655	1.3118

On January 14, 2015, the noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars was EUR 1.00 equals C\$1.4118.

## NORDSEE ONE

In September 2014, Northland acquired an indirect 85% equity stake in a 332 megawatt (“**MW**”) offshore wind development project located approximately 40 kilometres north of Juist Island in German territorial waters in the North Sea (“**Nordsee One**”). As part of the transaction, Northland also acquired an 85% stake in two earlier-stage offshore wind projects. Once operational, Nordsee One is expected to generate over 1,200 gigawatt hours of electricity per year from 54 wind turbines, enough to meet the needs of approximately 400,000 German households. Nordsee One and Northland’s participation therein are described in greater detail below.

### Overview

On September 4, 2014, Northland, through its wholly-owned Luxembourg subsidiary NPEW North S.à r.l., (“**NPEW North**”), acquired 85% of the issued share capital in Nordsee One GmbH (the “**Company**”), the owner of three offshore wind development projects, from RWE Innogy GmbH (“**RWE**”). The remaining 15% of the issued share capital continues to be held by RWE. The three projects included the advanced development project Nordsee One, as well as development rights for two additional early-stage development projects, Nordsee Two and Nordsee Three. When constructed, the three projects combined would represent approximately one gigawatt of capacity. Nordsee Two and Nordsee Three are expected to be developed by separate companies (to be 85% owned by Northland) over the next decade as tariffs to construct offshore wind projects are granted and the onshore grid infrastructure is built out.

Nordsee One will consist of 54 Senvion wind turbine generators (“**WTGs**”), each with a capacity of 6.15MW. The WTGs will be installed on foundations consisting of monopiles and transition pieces, together with associated infrastructure, including one offshore substation platform and inter-array cables. There are five principal contracts for the construction of Nordsee One, which are signed or in the course of being signed or finalized with the associated preferred bidders and are designed to transfer a substantial portion of cost and schedule risk to the suppliers.

Nordsee One qualifies for a revenue subsidy from the German government for approximately 9.6 years under the German Renewable Energy Act (“**EEG**”).

The total Nordsee One capital costs are expected to be approximately EUR 1.2 billion. Funding for these costs is expected to be provided by non-recourse term debt, equity from the Sponsors (defined below), and pre-completion revenues. Financial closing for Nordsee One, the point at which all project debt and Sponsor equity for Nordsee One have been contributed or fully committed (“**Financial Close**”), is expected to occur in the first half of 2015, with in-water construction anticipated to begin in 2016. The commercial operations date (“**COD**”) is expected to occur by the end of 2017.

### Nordsee One Ownership and Governance

Pursuant to the Shareholders and Investment Agreement (“**SHIA**”) for Nordsee One between Northland, NPEW North and RWE (Northland and RWE each a “**Sponsor**” and collectively, the “**Sponsors**”) dated September 4, 2014, the Sponsors’ respective voting and equity interests in the Company are held as to 85% by Northland and as to 15% by RWE. Governance of the Company will be generally undertaken on behalf of the shareholders by the Investors’ Committee (the “**IC**”), which is composed of two members appointed by Northland and two members appointed by RWE. Northland’s appointees to the IC currently consist of its Chief Executive Officer, who will act as Chair, and its Chief Financial Officer. The IC meets on a monthly basis during the development and construction phases of Nordsee One and on a quarterly basis thereafter unless the IC agrees otherwise. Voting is generally proportionate to the equity interests that the members represent.

The SHIA provides for the Sponsors’ rights and governance arrangements before and after Financial Close and contains provisions for certain super-majority shareholder and IC approvals which have the effect of requiring RWE consent to certain decisions. In particular, prior to Financial Close, this super-majority approval is required for all material deviations from Nordsee One’s development plan and the project financing. After Financial Close, the SHIA provides for customary minority shareholder protections, as well as specific super-majority votes in the event of amendments that would have a material and disproportionately adverse effect on any of the Sponsors or any material amendment to the financing agreements prior to the end of construction.

Pursuant to the SHIA, the Sponsors have agreed to share development expenses in proportion to their respective ownership interests, and jointly manage all development activities required to achieve Financial Close for Nordsee One.



Day-to-day project management and operating activities will be executed by two project managing directors who will lead the Nordsee One team which will be comprised of direct industry hires, RWE personnel provided through secondments and service level agreements, Northland personnel, and additional contractors.

ENOVA Energiessysteme GmbH & Co. KG (“**ENOVA**”), the original shareholder and proponent of the Company and Nordsee One, has a call option to acquire 1.5% of the shares in the Company from RWE. The call option is triggered by the commissioning of the first turbine of Nordsee One. The shares received upon exercise of the option do not entitle ENOVA to any specific rights or decision power in the management of the Company other than minority shareholder rights under applicable law.

## **Construction**

The Company has negotiated or is in the process of negotiating contracts with major suppliers for construction of Nordsee One. All material commercial terms have been agreed upon and it is a condition of Financial Close that all major supplier contracts be executed. Construction and commissioning of Nordsee One is scheduled to be completed by the end of 2017.

### *Permits*

Nordsee One has obtained all required material permits other than approvals which must be obtained at various stages of the construction process itself. The authorizing permits for Nordsee One were granted in April 2012 by the Bundesamt für Seeschifffahrt und Hydrographie (Federal Maritime and Hydrographic Agency (“**BSH**”). All permits granted by the BSH contain standard provisions which are intended to address environmental concerns. The deadline for commencement of construction pursuant to the permits is scheduled for July 1, 2016.

As required under certain permit conditions, the Company will post security in favour of the relevant authorities for future decommissioning costs of Nordsee One. All expected decommissioning obligations will be funded within the project financial structure and/or during the contracted period from project revenues.

### *Turbine Supply and Installation*

Senvion SE (“**Senvion**”) is responsible for the supply and installation of the turbines. Senvion, formerly known as RePower, is a leading manufacturer of turbines for onshore and offshore applications. The scope of work under the contract will consist of the design, certification, manufacture, supply, storage, transport, installation, commissioning, and testing of all the turbines. The turbine supply and installation agreement (“**TSA**”) is priced on a fixed-price basis and provides for Senvion to incur full-weather risk for all its activities.

### *Foundation Supply and Installation*

Ambau GmbH (“**Ambau**”) will be responsible for the detailed design, fabrication, testing, transport, supply, storage and delivery of the monopiles and transition pieces. Ambau is an experienced manufacturer of offshore towers and foundation structures. This contract is expected to be on a fixed-price basis. GeoSea NV (“**GeoSea**”) will be responsible for transporting the monopiles to the site and the erection, installation, and testing at the offshore site of the monopiles and turbine transition pieces. GeoSea operates around the world and has extensive experience in offshore works including installation of offshore structures. The contract with GeoSea is on a fixed-price basis, and includes the cost for full-weather risk for all GeoSea’s activities.

### *Offshore Substation Platform*

Bladt Industries A/S (“**Bladt**”) will design, procure, manufacture, test and commission (onshore), install, test and commission the offshore substation platform including the foundation, substructure and topside. Bladt is a leading manufacturer of offshore substations around the world. The contract is on a fixed-price basis and includes the cost for full-weather risk for all its activities.

### *Inter-array Cable*

Siem Offshore Contractors GmbH (“**Siem**”) is responsible for the design, engineering, construction, fabrication, storage, supply, installation, testing and commissioning of the inter-array cables to connect the 54 turbines and the offshore substation platform. Siem is an experienced submarine cable installation, repair and maintenance contractor with a focus on Europe and North America. The contract includes the cost for full-weather risk for all Siem’s activities.

## *Power Export*

Under the EEG, the Transmission System Operator (“**TSO**”) responsible for the area where an offshore wind farm is to be erected is required to construct and operate the grid connection between the wind farm’s transformer platform and the mainland grid and to bear all related costs. In the case of Nordsee One, TenneT GmbH (“**TenneT**”) is the designated TSO and will design, construct, own and operate the entire grid connection infrastructure which will connect to Nordsee One’s offshore platform. For its part, the Company will be responsible for the turbines, turbine foundations, the array cables, and the offshore substation. Nordsee One will be connected by TenneT to TenneT’s DolWin 2 offshore converter station, which is scheduled to be installed in early 2015, well in advance of Nordsee One’s timing requirements.

## **Operations**

### *Feed-in Tariff*

The EEG establishes the compensation received by offshore wind farms for power delivered into the grid. The most recently-approved law, EEG 2014, implements an equivalent to a feed-in tariff (“**FiT**”) designed to allow offshore wind farms to earn a fixed price per MWh generated through a “contract for differences” structure. As a result, Nordsee One is entitled to an initial FiT tariff of 194 Eur/MWh for the first eight years of operations and a FiT tariff of 154 Eur/MWh for approximately 1.6 years thereafter. The FiT tariff is composed of two parts: (i) the monthly market price based on the weighted-average day-ahead market (“**Market Price**”), and; (ii) the FiT adder paid by the grid operator under the EEG, to bring the total price received to the FiT tariff. The price per MWh for the period after 9.6 years to 20 years is the higher of the market price and 39 Eur/MWh. The initial FiT tariff of 194 Eur/MWh is subject to reduction by 10 Eur/MWh in respect of any turbine of Nordsee One which is commissioned on or after January 1, 2018 and is based on a compression model that will not be available for turbines commissioned on or after January 1, 2020. All turbines of Nordsee One are currently expected to be commissioned by the end of 2017.

### *Power Off-Take Balancing and Services Agreement*

In order for Nordsee One to earn the market based component of revenue, a power off-take balancing and services agreement (the “**OBSA**”) is expected to be entered into with a power marketer, and negotiations are at an advanced stage with two qualified finalist counterparties. The marketer is expected to assume responsibilities for the mechanics of selling the electricity generated by Nordsee One into the market and complying with all market rules, regulations and provisions.

Under the terms of the OBSA, the marketer will have the obligation to purchase 100% of the net electricity generated by Nordsee One on a take-and-pay basis, without any responsibility on Nordsee One to deliver a minimum or set quantity of electricity. The price payable will be based on the monthly market price based on the weighted-average day-ahead market (the same reference price used under the EEG), less a fixed annual fee per MWh to cover the marketer’s balancing costs, access-to-market fees and other costs and risks.

Nordsee One has been awarded up to EUR 70 million (via a premium of 15.4 EUR/MWh to be paid for the first 4,500 MWh generated) as part of the “new entrants reserve 300” (“**NER300**”) subsidy provision set up by the European Commission. Nordsee One qualified based on turbine and foundation technology advancements and innovation. The funds are expected to be disbursed over the first five years of operation. As a requirement, Nordsee One must share knowledge on certain topics with the European Commission and provide an annual report on the project’s progress during operation.

### *Operations and Maintenance - General*

The Company will manage all operations and maintenance (“**O&M**”) activities internally for Nordsee One facility prior to the commissioning of the first WTG. Key operational agreements are described below.

### *Turbine Service and Maintenance Agreement*

The scheduled maintenance of the turbines and all additional equipment supplied by Senvion is covered under a long term, service and maintenance agreement (the “**SMA**”). Senvion will be responsible for all scheduled and unscheduled maintenance and all associated costs, including spare parts and any heavy lift vessels required.

Any unscheduled maintenance for the first five years, including the provision of spares, tools, dedicated site technicians, helicopter transfer and heavy lift logistics to remedy any defects, is the responsibility of Senvion under the SMA (or the TSA if under warranty). Thereafter, the SMA will provide an additional 5 years of coverage (fixed initial duration of ten years after COD with extension options at the Company’s sole discretion).

### Other O&M Services

It is intended that Nordsee One will enter into service agreements with qualified contractors for the maintenance of electrical equipment and the balance of plant including regular routine inspection, maintenance and emergency response services. The required maintenance and inspection activities will be split into separate service contracts: one to cover subsea inspections and another to cover structural repairs, fall arrest systems, lifesaving equipment, auxiliary systems, painting and cleaning works. Operation & maintenance contracts will be finalized for each asset prior to COD. It is intended to have extension options (exercisable at the Company's discretion) to retain flexibility to adapting market conditions whilst giving Nordsee One a price floor.

### Insurance

The Company with advice from Aon UK Limited, a global provider of risk management, insurance and reinsurance brokerage services, has established an insurance program to provide Nordsee One with industry standard insurance coverage for the construction and operational phases of Nordsee One. The structure of the insurance package is widely used in the offshore wind industry and is designed to provide cover for both the offshore wind assets and loss of revenue.

### Financial Structure

Total capital costs of Nordsee One are estimated to be approximately EUR 1.2 billion (the "**Project Budget**"), and will be financed by: (i) Sponsor equity in the form of upfront cash and pre-completion revenues partly backed by Sponsor guarantees; and (ii) non-recourse debt in the form of a long-term, senior, secured loan facility (the "**Term Loan Facility**"). The Project Budget includes EUR 35 million of base contingency for unexpected costs or project delays.

The expected sources and estimated amounts of funding are summarized in the following table:

Sources of Funding	Amount (EUR billion)	%
Equity	EUR 0.3	25%
Pre-Completion Revenues	EUR 0.1	8%
Term Loan Facility	EUR 0.8	67%
<b>Total Sources of Funding</b>	<b>EUR 1.2</b>	<b>100%</b>

In the event of unexpected project cost overruns or delays costing in excess of EUR 35 million, an additional budget (the "**Contingent Budget**") of EUR 90 million is also to be committed. The Contingent Budget is to be funded on a pro-rata basis with debt (the "**Contingent Loan Facility**") in the amount of EUR 63 million and equity (the "**Contingent Equity**") in the amount of EUR 27 million. The Contingent Loan Facility will be committed at Financial Close. Northland's *pro rata* share of the Contingent Equity is EUR 23 million.

### Equity

Equity will be provided in cash on Financial Close, and is currently estimated to be approximately EUR 292 million. Northland's pro-rata portion of the equity, plus the cost to purchase its initial interest in Nordsee One and transaction costs, is estimated to be approximately EUR 288 million ("**Northland's Investment**") and is intended to be funded from the proceeds of this Offering, cash on hand, Northland's credit facility, and/or additional capital raised from the capital markets.

### Pre-Completion Revenues

Pre-completion revenues are revenues generated during the installation and commissioning period for the 54 WTGs following grid connection and prior to COD. These revenues will depend on the actual construction schedule, as well as the wind resources available during the relevant time period. The pre-completion revenues for Nordsee One are estimated to be EUR 67 million.

### Term Loan Facility

The Term Loan Facility commitments, to be determined at Financial Close, will be the lower of: (i) EUR 900 million; (ii) the amount such that the debt-to-equity ratio for Nordsee One at Financial Close is not more than 70:30; and (iii) the amount of debt such that the forecast minimum debt service coverage ratio is no less than 1.30x.

## USE OF PROCEEDS

After deducting the Underwriters' fee of \$6,000,000 and estimated expenses of the Offering of \$500,000, the net proceeds to Northland from the sale of the Series C Debentures distributed under this Offering will be \$143,500,000. If the Over-Allotment Option (as defined below) is exercised in full, the net proceeds to Northland from the sale of the Series C Debentures distributed under the Offering, after deducting the Underwriters' fee of \$6,300,000, will be \$151,200,000. Accordingly, the aggregate net proceeds of the Offering following the exercise in full of the Over-Allotment Option will be \$150,700,000, after deducting the Underwriters' fee of \$6,300,000 and the estimated expenses of the Offering of \$500,000.

The net proceeds of the Offering will be utilized to fund a portion of Northland's investments in Nordsee One and the Grand Bend wind farm in Ontario, to replenish working capital and for general corporate purposes. The balance of the investment in Nordsee One will be funded by subsequent access to capital markets, drawing down additional bank debt under the Credit Facility (as defined below) and/or using cash resources on hand. See "*Plan of Distribution*".

While Northland intends to use the net proceeds of the Offering as stated above, there may be circumstances, such as the failure to achieve Financial Close or circumstances that are not otherwise known or foreseeable at this time, where a reallocation of such proceeds may be advisable for business reasons that Northland believes are in its best interests, including investing in other projects, the repayment of debt and for general corporate purposes. See "*Risk Factors*".

## RECENT DEVELOPMENTS

### *Sale of Frampton Wind Project*

Northland has signed a purchase and sale agreement to sell Northland's 66.7% interest in the advanced stage development project located in Frampton, Quebec to Boralex Inc. Total consideration for the interest is approximately \$11.5 million. Completion of the sale is conditional on the achievement of certain conditions and receipt of third party approvals.

### *Cochrane Generating Station*

The OEFC and Cochrane Power Corporation ("**CPC**"), an affiliate of Northland, have agreed to extend CPC's existing revenue contract to May 2015 from its current expiry in January 2015 to provide additional time for CPC to negotiate a new long term contract with the IESO for CPC's natural gas and biomass facility.

### *Kirkland Lake Generating Station*

Kirkland Lake Power Corporation, an affiliate of Northland, signed a new 20-year contract expiring August 2035 with the Ontario Power Authority ("**OPA**", now merged with the Independent Electricity System Operator, "**IESO**") for the 30 MW gas peaking portion of the generating station as the existing peaking contract was due to expire in August 2015. Negotiations are continuing with the OEFC with respect to the baseload, gas-fueled portion of the Kirkland Lake facility, which has pricing provisions expiring August 2015.

### *Closure of Steam Host at Iroquois Falls*

In December 2014, Resolute Forest Products Inc. announced the closure of its Iroquois Falls newsprint mill, which has a steam sales agreement in place with Northland's Iroquois Falls facility. The Iroquois Falls facility will continue to generate electricity and is able to increase its electrical output and offset lost steam sales revenue with increased electricity sales revenue under an existing long term contract with the Ontario Electricity Financial Corporation ("**OEFC**").

### *Phase III Ground-Mounted Solar Projects*

Northland has signed a purchase and sale agreement with Taykwa Tagamou Nation and Wahgoshig First Nation which, once closed, will provide the First Nations with a combined 37.5% equity interest in Northland's four Phase III solar projects located in northern Ontario. The total consideration for the equity interest is approximately \$45.6 million, approximately a third of which will be a vendor take-back loan. These are the final four projects in

Northland's 13 ground-mounted solar project portfolio that remain under construction. Closing of the sale is contingent on the achievement of certain conditions and receipt of third party approvals.

In late December 2014, Northland terminated its engineering, procurement and construction contract with H.B. White Canada Corporation related to the construction of the four 10 MW Phase III solar projects. Ganotec Inc., a subsidiary of Peter Kiewit Sons Co. Ltd., has been engaged to assist with the completion of the projects. Northland expects the overall project completion schedule to be met, although the final project costs are being reviewed and may increase from the \$246 million previously disclosed. Notwithstanding any potential increase, Northland expects the projects to continue to exceed Northland's return requirements.

### **EARNINGS COVERAGE RATIOS OF NORTHLAND**

The following earnings coverage ratios and *pro forma* earnings coverage ratios are calculated on a consolidated basis for the twelve months ended December 31, 2013 and September 30, 2014, and are derived from the audited consolidated financial statements of Northland as at and for the year ended December 31, 2013 as well as the quarterly reports for the periods ended September 30, 2013 and 2014. The earnings coverage ratios do not include any earnings that may be derived from the use of the net proceeds of the Offering or cash on hand. The *pro forma* earnings coverage ratios have been prepared for the twelve months ended December 31, 2013 and September 30, 2014, as adjusted to give effect to the issuance of the Series C Debentures as if such issuance had occurred at the beginning of the calculation period, and assumes that there are no additional earnings derived from the net proceeds of the Series C Debentures.

The borrowing costs, including capitalized interest and preferred dividend obligations, of Northland for the twelve months ended December 31, 2013 and September 30, 2014 were approximately \$124.6 million and \$150.9 million, respectively. The borrowing costs, including capitalized interest and preferred dividend obligations, of Northland for the twelve months ended December 31, 2013 and September 30, 2014, after giving effect to the issuance of the Series C Debentures were approximately \$131.7 million and \$158.1 million, respectively. The earnings of Northland before non-capitalized borrowing costs and taxes for the twelve months ended December 31, 2013 and September 30, 2014 were approximately \$295.1 million and \$24.5 million, respectively, and \$302.2 million and \$31.6 million, respectively, after giving effect to the expenses of the Offering. This represents earnings coverage ratios of 2.37 and 0.16, respectively, on a historical basis for the twelve months ended December 31, 2013 and September 30, 2014, and 2.29 and 0.20, respectively, after giving effect to the issuance of the Series C Debentures for the twelve months ended December 31, 2013 and September 30, 2014. In order to achieve an earnings coverage ratio of one to one for the twelve months ended September 30, 2014, Northland would need to have earned an additional \$126.5 million.

The *pro forma* earnings coverage ratios noted above (without giving effect to the Over-Allotment Option) include a deduction for depreciation and amortization of approximately \$109.8 million and \$137.3 million, respectively, in the twelve months ended December 31, 2013 and September 30, 2014. The ratios also include adjustments for a non-cash fair value gain of \$102.1 million and a loss of \$199.5 million on interest swaps for the twelve months ended December 31, 2013 and September 30, 2014. If the earnings coverage ratios were adjusted for these non-cash items, the earnings coverage ratios would be 2.43 and 2.39, respectively, on a historical basis for the twelve months ended December 31, 2013 and September 30, 2014, and 2.35 and 2.33, respectively, after giving effect to the issuance of the Series C Debentures for the twelve months ended December 31, 2013 and September 30, 2014.

Under IFRS, the Series C Debentures will be classified on the balance sheet as a liability and are designated as loans and borrowings and are subsequently measured at amortized cost using the effective interest rate method.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Northland as at September 30, 2014, as adjusted to give effect to the Offering but without giving effect to the exercise of the Over-Allotment Option and should be read in conjunction with the Q3 Financial Statements.

	As at September 30, 2014 <sup>(1)</sup>	As at September 30, 2014 after giving effect to the Offering <sup>(1)</sup>
<b>Indebtedness</b>		
Bank Indebtedness .....	-	-
Interest Bearing Loans and Borrowings.....	\$2,270,219	\$2,270,219
Corporate Term Loan Facility.....	\$246,265	\$246,265
Convertible Debentures .....	\$87,715	\$231,715
Total Indebtedness .....	\$2,604,199	\$2,748,199
<b>Shareholders' Equity</b>		
Preferred Shares.....	\$261,737	\$261,737
Common Shares.....	\$1,880,462	\$1,880,462
Convertible Shares.....	\$14,615	\$14,615
Total Shareholders' Equity <sup>(2)</sup> .....	\$1,205,127	\$1,205,127
<b>Total Capitalization<sup>(3)</sup> .....</b>	<b>\$3,809,326</b>	<b>\$3,953,326</b>

Notes:

1. In thousands of dollars.
2. Total Shareholders' Equity represents the following components: preferred shares of Northland, Common Shares, long-term incentive plan reserve, contributed surplus, convertible shares (Class A Shares of Northland), accumulated other comprehensive income, accumulated deficit, and non-controlling interests (as described in the Annual Financial Statements).
3. Represents the sum of Total Indebtedness plus Total Shareholders' Equity.

## DETAILS OF THE OFFERING

The following description of the Series C Debentures is a brief summary of their material attributes and characteristics. The following summary uses words and terms which are defined in the Indenture. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture.

The Series C Debentures will be issued as a new series under and pursuant to the provisions of the trust indenture dated August 26, 2004, as amended and restated as of October 14, 2009, as supplemented by a first supplemental indenture dated October 15, 2009, as supplemented by a second supplemental indenture dated January 1, 2011, as supplemented by a third supplemental indenture dated March 5, 2014 and as supplemented by a fourth supplemental indenture to be entered into on the closing of the Offering between Northland and Computershare Trust Company of Canada (the "**Debenture Trustee**"), and which creates and governs the Series C Debentures (collectively, the "**Indenture**").

The Series C Debentures will be limited in the aggregate principal amount to \$150,000,000, plus up to an additional \$7,500,000 aggregate principal amount of Series C Debentures if the Over-Allotment is exercised in full. Northland may, however, from time to time, without the consent of the holders of Series C Debentures (the "**Debentureholders**"), issue additional or other debentures in addition to the Series C Debentures offered hereby. At the closing of the Offering, the Series C Debentures will be available for delivery in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. ("**CDS**"). Holders of beneficial interests in the Series C Debentures will not have the right to receive physical certificates evidencing their ownership of Series C Debentures except under certain circumstances described under "*Details of the Offering – Book-Entry Only System, Delivery and Form*". No fractional Series C Debentures will be issued.

The Series C Debentures will be dated as of the closing of the Offering and will have a maturity date of June 30, 2020 (the "**Maturity Date**"). The Series C Debentures will be issuable only in denominations of \$1,000

and integral multiples thereof and will bear interest from and including the date of issue at 4.75% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing on June 30, 2015. The first interest payment will include interest accrued from and including the date of the closing of the Offering (the “**Closing Date**”) to, but excluding, June 30, 2015 in the amount of \$20.69 (based on an expected Closing Date of January 22, 2015) for each \$1,000 principal amount of Series C Debentures outstanding.

Interest will be payable based on a 365-day year. The interest on the Series C Debentures will be payable in lawful money of Canada as specified in the Indenture. At the option of Northland and subject to applicable law, Northland may deliver Common Shares to the Debenture Trustee who shall sell such Common Shares on behalf of Northland in order to raise funds to satisfy all or any part of Northland’s obligations to pay interest on the Series C Debentures, but, in any event, the Debentureholders shall be entitled to receive cash payments equal to the interest payable on the Series C Debentures. See “*Details of the Offering – Common Share Interest Payment Election*”.

The principal on the Series C Debentures will be payable in lawful money of Canada or, at the option of Northland and subject to applicable regulatory approval, by payment of freely tradeable Common Shares to satisfy, in whole or in part, its obligation to repay the principal amount of the Series C Debentures, as further described under “*Details of the Offering – Payment upon Redemption or Maturity*”, “*Details of the Offering – Redemption and Purchase*” and “*Details of the Offering – Put Right Upon a Change of Control*”.

The Series C Debentures will be direct obligations of Northland and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all Senior Indebtedness of Northland as described under “*Details of the Offering – Subordination*”. The Indenture does not restrict Northland from incurring additional Senior Indebtedness at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Series C Debentures will rank *pari passu* with every other series of debentures that have been issued, or may hereafter be issued, under the Indenture including the Series A Debentures and the Series B Debentures.

The Series C Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Toronto, Ontario.

#### *Conversion Privilege*

The Series C Debentures will be convertible at the Debentureholder’s option into fully-paid, non-assessable and freely tradeable Common Shares (the “**Underlying Shares**”) at any time prior to 5:00 p.m. (Toronto time) on the earlier of: (i) the Maturity Date; and (ii) the last business day immediately preceding the date specified by Northland for the redemption of the Series C Debentures, at a conversion price of \$21.60 per Common Share (the “**Conversion Price**”), representing a premium of approximately 35.9% over the closing price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”) on January 13, 2015, being a ratio of approximately 46.2963 Common Share per \$1,000 principal amount of Series C Debentures. No adjustment to the Conversion Price will be made for distributions on Common Shares issuable upon conversion for dividends or distributions paid by Northland on Common Shares less than or equal to \$1.20 per Common Share per annum or for interest accrued on Series C Debentures surrendered for conversion; however, holders converting their Series C Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect thereof for the period from and including the latest interest payment date, up to and including the last record date set by Northland prior to the date of conversion for determining shareholders entitled to receive a distribution or dividends on the Common Shares. Notwithstanding the foregoing, no Series C Debentures may be converted during the five business days preceding June 30 and December 31 in each year, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares (or securities convertible into or exchangeable for Common Shares) to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or a distribution or otherwise other than an issue of Common Shares to holders of Common Shares who have elected to receive distributions in the form of Common Shares in lieu of receiving cash distributions or cash dividends paid in the ordinary course; (c) the payment of a cash dividends or other distributions to all or substantially all holders of outstanding Common Shares in excess of \$1.20 per Common Share per calendar year; (d) the issuance of options, rights or warrants to all or substantially all holders of outstanding Common Shares entitling them, for a period expiring not more than 45 days after the

record date, to acquire Common Shares at a price per Common Share of less than 95% of the then Current Market Price (as defined below under “*Details of the Offering – Payment upon Redemption or Maturity*”) of the Common Shares or to acquire securities convertible or exchangeable for Common Shares at a conversion price or exchange price per Common Share at the date of issue of the securities which is less than 95% of the then Current Market Price for the Common Shares; and (e) the distribution to all or substantially all holders of Common Shares of any securities or assets (excluding cash dividends or distributions paid in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c), (d) or (e) above if, subject to the prior written consent of the TSX, the holders of the Series C Debentures are allowed to participate as though they had converted their Series C Debentures prior to the applicable record date or effective date. Northland will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the Common Shares or in case of any amalgamation, consolidation, merger or arrangement of Northland with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of Northland as, or substantially as, an entirety to any other entity, the terms of the conversion privilege shall be adjusted so that each Series C Debenture shall, after such reclassification, change, amalgamation, consolidation, merger, arrangement or sale, be exercisable for the kind and amount of securities or property of Northland, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, change, amalgamation, consolidation, merger, arrangement or sale if on the record date or the effective date thereof it had been the holder of the number of Common Shares into which the Series C Debenture was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale.

No fractional Common Shares will be issued on any conversion of the Series C Debentures but in lieu thereof Northland shall satisfy such fractional interest by a cash payment to such Debentureholder equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

#### *Redemption and Purchase*

The Series C Debentures may not be redeemed by Northland before June 30, 2018. On and after June 30, 2018 and prior to June 30, 2019, the Series C Debentures may be redeemed at the option of Northland, in whole at any time or in part from time to time, on not more than 60 days’ and not less than 30 days’ prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption provided that the Current Market Price on the date which the notice of redemption is given is at least 125% of the Conversion Price. On and after June 30, 2019 and prior to the Maturity Date, the Series C Debentures may be redeemed by Northland, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption on not more than 60 days’ and not less than 30 days’ prior written notice.

Northland will have the right to purchase Series C Debentures in the market, by tender or by private contract subject to regulatory requirements; provided, however, that if an Event of Default (as defined below) has occurred and is continuing, Northland will not have the right to purchase the Series C Debentures by private contract.

In the case of redemption of less than all of the Series C Debentures, the Series C Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

#### *Payment upon Redemption or Maturity*

On redemption or at the Maturity Date, Northland will repay the indebtedness represented by the Series C Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Series C Debentures, together with accrued and unpaid interest thereon. Northland may, at its option, on not more than 60 days’ and not less than 30 days’ prior notice and subject to any required regulatory approvals, unless an Event of Default (as hereinafter defined) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Series C Debentures which are to be redeemed or which have matured by issuing freely tradeable Common Shares, in whole or in part, to the holders of the Series C Debentures. The number of Common Shares to be issued will be determined by dividing the principal amount of the



Series C Debentures by 95% of the Current Market Price of the Common Shares on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Common Shares will be issued to Debentureholders but in lieu thereof Northland shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

The term “**Current Market Price**” is defined in the Indenture to mean the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the determination.

#### *Common Share Interest Payment Election*

Unless an Event of Default (as defined below) has occurred and is continuing, Northland may elect, from time to time, subject to applicable regulatory approval, to issue and deliver freely tradeable Common Shares to the Debenture Trustee in order to raise funds to satisfy all or any part of Northland’s obligations to pay interest on the Series C Debentures in accordance with the Indenture (the “**Common Share Interest Payment Election**”). The Indenture provides that, upon such election, the Debenture Trustee shall have the power to: (i) accept delivery of Common Shares from Northland, (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as Northland shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short term securities issued or guaranteed by the Government of Canada, or any province or territory thereof, which mature prior to the applicable interest payment date, (iv) deliver proceeds to Debentureholders sufficient to satisfy Northland’s interest payment obligations, and (v) perform any other action necessarily incidental thereto. The cash amount receivable by a holder in respect of interest will not be affected by whether or not Northland elects to utilize the Common Share Interest Payment Election.

Neither Northland’s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares pursuant thereto will (a) result in the Debentureholders not being entitled to receive on the applicable interest payment date cash in an aggregate amount equal to the interest payable on such interest payment date, or (b) entitle such holders to receive any Common Shares in satisfaction of the interest payable on the applicable interest payment date.

#### *Cancellation*

All Series C Debentures converted, redeemed or purchased as described herein will be cancelled and may not be reissued or resold.

#### *Subordination*

The payment of the principal of, and interest on, the Series C Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of Northland. “**Senior Indebtedness**” of Northland is defined in the Indenture as all indebtedness of Northland (whether outstanding as at the date of the Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Series C Debentures. The Indenture does not limit the ability of Northland to incur additional indebtedness, including additional Senior Indebtedness at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Northland, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Northland, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Northland, all creditors under any Senior Indebtedness will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Series C Debentures or any unpaid interest accrued thereon.

In addition to the foregoing, pursuant to the terms of the Indenture, neither the Debenture Trustee nor the Debentureholders shall be entitled to demand or otherwise attempt to enforce in any manner, institute proceedings for the collection of, or institute any proceedings against Northland including, without limitation, by way of any bankruptcy, insolvency or similar proceedings or any proceeding for the appointment of a receiver, liquidator,

trustee or other similar official (it being understood and agreed that the Debenture Trustee and/or the Debentureholders shall be permitted to take any steps necessary to preserve the claims of the Debentureholders in any such proceeding and any steps necessary to prevent the extinguishment or other termination of a claim or potential claim as a result of the expiry of a limitation period), or receive any payment or benefit in any manner whatsoever on account of indebtedness represented by the Series C Debentures at any time when an Event of Default (howsoever designated) has occurred and is continuing under any Senior Indebtedness and is continuing and, in each case, notice of such Event of Default has been given by or on behalf of the lender or lenders party to such Senior Indebtedness to Northland (the “**Senior Indebtedness Postponement Provisions**”).

#### *Put Right upon a Change of Control*

Upon the occurrence of a change of control of Northland involving the acquisition of voting control or direction over 50% or more of the votes represented by outstanding shares of Northland (which, for greater certainty, includes Common Shares and Class A shares of Northland) by any person or group of persons acting jointly or in concert (a “**Change of Control**”), each holder of Series C Debentures may require Northland to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “**Put Date**”), the whole or any part of such holder’s Series C Debentures at a price equal to 100% of the principal amount thereof (the “**Put Price**”) plus accrued and unpaid interest (less any tax required by law to be deducted) up to, but excluding, the Put Date. A Change of Control will not include a sale, merger, reorganization, or other similar transaction if the holders of the Common Shares immediately prior to such transaction hold at least 50% of the voting control in the merged, reorganized or other continuing entity.

If 90% or more of the aggregate principal amount of the Series C Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Northland will have the right to redeem all the remaining Series C Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and, as soon as possible thereafter, by the Debenture Trustee to the holders of the Series C Debentures not tendered for purchase. The principal on the Series C Debentures will be payable in lawful money of Canada or, at the option of Northland and subject to applicable regulatory approval, by payment of Common Shares to satisfy, in whole or in part, its obligation to repay the principal amount of the Series C Debentures.

The Indenture contains notification provisions to the effect that:

- (a) Northland will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the Debentureholders a notice of the Change of Control, the right of the Debentureholders to cause Northland to purchase Series C Debentures and the right of Northland to redeem untendered Series C Debentures under certain circumstances; and
- (b) a Debentureholder, to exercise the right to require Northland to purchase its Series C Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder’s exercise of such right, together with a duly endorsed form of transfer.
- (c) Northland will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Series C Debentures in the event of a Change of Control.

In addition if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of:

- (a) cash, other than cash payments for fractional Common Shares and cash payments made in respect of dissenter’s appraisal rights;
- (b) equity securities or other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or

- (c) other property that is not traded or intended to be traded immediately following such transaction on a recognized stock exchange,

then subject to regulatory approvals, during the period beginning ten days before the anticipated effective date of the Change of Control and ending 30 days after the date of the Change of Control notice is delivered to the Debentureholders, Debentureholders will be entitled to convert their Series C Debentures, subject to certain limitations, and receive, in addition to the number of Common Shares (or cash or other property or securities in substitution therefor) they would otherwise be entitled to receive as set forth under "– *Conversion Privilege*" above, an additional number of Common Shares (or cash or other property or securities in substitution therefor) per \$1,000 principal amount of Series C Debentures as set forth below.

The number of additional Common Shares per \$1,000 principal amount of Series C Debentures constituting the make-whole premium (the "**Make-Whole Premium**") will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the "**Effective Date**") and the price (the "**Common Share Price**") paid per Common Share in the transaction constituting the Change of Control. If shareholders receive (or are entitled and able in all circumstances to receive) only cash in the transaction, the Common Share Price shall be the cash amount paid per Common Share. Otherwise, the Common Share Price shall be equal to the Current Market Price of the Common Shares on the day immediately preceding the Effective Date of such transaction.

The following table shows what the Make-Whole Premium would be for each hypothetical Common Share Price and Effective Date set forth below, expressed as additional Common Shares per \$1,000 principal amount of Series C Debentures. For the avoidance of doubt, Northland shall not be obliged to pay the Make-Whole Premium otherwise than by issuance of the applicable number of Common Shares upon conversion, subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under "*Details of the Offering – Conversion Privilege*" above.

**Make-Whole Premium Upon a Change of Control  
(Number of Additional Common Shares per \$1,000 Series C Debenture)**

Common Share Price	January 22, 2015	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
\$15.89	16.6364	16.6364	16.6364	16.6364	16.6364	16.6364
\$16.00	16.2588	16.2037	16.2037	16.2037	16.2037	16.2037
\$16.50	14.6830	14.5800	14.3133	14.3098	14.3098	14.3098
\$17.00	13.2388	13.1271	12.8265	12.5272	12.5272	12.5272
\$17.50	11.9177	11.7971	11.4669	10.9309	10.8466	10.8466
\$18.00	10.7094	10.5822	10.2256	9.6539	9.2593	9.2593
\$18.50	9.6059	9.4730	9.0941	8.4924	7.9395	7.7578
\$19.00	8.5984	8.4616	8.0647	7.4395	6.8089	6.3353
\$19.50	7.6805	7.5410	7.1308	6.4882	5.7928	4.9858
\$20.00	6.8450	6.7040	6.2850	5.6325	4.8860	3.7090
\$21.00	5.3967	5.2562	4.8319	4.1795	3.3762	1.6390
\$22.00	4.2055	4.0700	3.6559	3.0295	2.2300	0.3891
\$23.00	3.2335	3.1070	2.7165	2.1365	1.3917	0.0000
\$24.00	2.4458	2.3308	1.9733	1.4554	0.7983	0.0000
\$25.00	1.8120	1.7100	1.3920	0.9452	0.3928	0.0000
\$30.00	0.1980	0.1607	0.0733	0.0040	0.0000	0.0000

The actual Common Share Price and Effective Date may not be set forth on the table above, in which case:

- (a) if the actual Common Share Price on the Effective Date is between two Common Share Prices on the table or the actual Effective Date is between two Effective Dates on the table, the Make-Whole Premium will be determined by a straight-line interpolation between the Make-Whole Premium set forth for the two Common Share Prices and the two Effective Dates on the table based on a 365-day year, as applicable;
- (b) if the Common Share Price on the Effective Date exceeds \$30.00 per Common Share, subject to adjustment as described below, the Make-Whole Premium will be zero; and

- (c) if the Common Share Price on the Effective Date is less than \$15.89 per Common Share, subject to adjustment as described below, the Make-Whole Premium will be zero.

The Common Share Prices set forth in the table above will be adjusted as of any date on which the Conversion Price of the Series C Debentures is adjusted. The adjusted Common Share Prices will equal the Common Share Prices applicable immediately preceding such adjustment multiplied by a fraction, the denominator of which is the Conversion Price immediately preceding the adjustment giving rise to the Common Share Price adjustment and the numerator of which is the Conversion Price as so adjusted. The number of additional Common Shares set forth in the table above will be adjusted in the same manner as the Conversion Price as set forth above under “*Details of the Offering – Conversion Privilege*”, other than by operation of an adjustment to the Conversion Price by adding the Make-Whole Premium as described above.

#### *Modification*

The rights of the holders of the Series C Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of the debentures issued under the Indenture (the “**Debentures**”) by votes cast thereat by holders of not less than 66<sup>2/3</sup>% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66<sup>2/3</sup>% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Debentures.

#### *Events of Default*

The Indenture provides that an event of default (“**Event of Default**”) in respect of the Series C Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Series C Debentures: (i) failure for 15 days to pay interest on the Series C Debentures when due; (ii) failure to pay principal or premium, if any, on the Series C Debentures, whether at the Maturity Date, upon redemption, by acceleration or otherwise; (iii) default in the performance of any material covenant in the Indenture that is not cured within 30 days of Northland receiving notice in writing specifying such default and requiring it to be cured; or (iv) certain events of bankruptcy, insolvency or reorganization of Northland under bankruptcy or insolvency laws. Subject to the Senior Indebtedness Postponement Provisions, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Series C Debentures, declare the principal of (and premium, if any) and accrued interest on all outstanding Series C Debentures to be immediately due and payable.

#### *Offers for Series C Debentures*

The Indenture contains provisions to the effect that if an offer is made for the Series C Debentures which is a take-over bid for Series C Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Series C Debentures (other than Series C Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Series C Debentures held by Debentureholders who did not accept the offer on the terms offered by the offeror.

#### *Book-Entry Only System, Delivery and Form*

The Series C Debentures will be represented only in “book-entry only” form (unless Northland, in its sole discretion, elects to prepare and deliver definitive Series C Debentures in fully-registered form). Beneficial interests in the Series C Debentures, constituting ownership of the Series C Debentures will be represented through book-entry accounts of a participant in the depositary service of CDS (a “**Participant**”). Each purchaser of a Series C Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Series C Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series C Debentures.

If CDS notifies Northland that it is unwilling or unable to continue as depository in connection with the Series C Debentures, or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and Northland and the Debenture Trustee are unable to locate a qualified successor, or if Northland elects, in its sole discretion, to terminate the book-entry only system, with the consent of the Debenture Trustee, beneficial owners of Series C Debentures at such time will receive Series C Debentures in registered and definitive form (the “**Definitive Series C Debentures**”).

#### *Transfer and Exchange of Series C Debentures*

Transfers of beneficial ownership in Series C Debentures will be effected through records maintained by CDS for such Series C Debentures or its nominees (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Unless Northland elects, in its sole discretion, to prepare and deliver Definitive Series C Debentures, beneficial owners who are not Participants in CDS’s book-entry only system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Series C Debentures, may do so only through Participants in CDS’s book-entry only system.

The ability of a beneficial owner of an interest in a Series C Debenture to pledge the Series C Debenture or otherwise take action with respect to such owner’s interest in a Series C Debenture (other than through a Participant) may be limited due to the lack of a physical certificate.

Registered holders of Definitive Series C Debentures may transfer such Series C Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Series C Debentures to the registrar for the Series C Debentures at its principal office in Toronto, Ontario or such other city or cities as may from time to time be designated by Northland whereupon new Series C Debentures will be issued in authorized denominations in the same aggregate principal amount as the Series C Debentures so transferred, registered in the names of the transferees. No transfer of a Series C Debenture will be registered during the period beginning 15 days before the day of the mailing of a notice of redemption of the Series C Debentures and ending at the close of business on the day of such mailing or during the periods commencing on any regular interest record date or special interest record date and ending on the next following interest payment date.

#### *Payments*

Payments of interest and principal on the Series C Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Series C Debentures. As long as CDS or its nominee is the registered owner of the Series C Debentures, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Series C Debentures for the purposes of receiving payments of interest and principal on the Series C Debentures and for all other purposes under the Indenture and the Series C Debentures. Interest payments on Series C Debentures will be made by electronic funds transfer on the day interest is payable and delivered to CDS or its nominee, as the case may be.

Northland understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of the Series C Debentures, will credit Participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Series C Debentures as shown on the records of CDS or its nominee. Northland also understands that payments of interest and principal by Participants to the owners of beneficial interests in such Series C Debentures held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participants. The responsibility and liability of Northland in respect of payments on Series C Debentures is limited solely and exclusively to making payment of any interest and principal due on such Series C Debentures to CDS or its nominee.

If Definitive Series C Debentures are issued, payments of interest on each Definitive Series C Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Series C Debenture or if required under any applicable payment clearing system rules, or by cheque dated the interest payment date and mailed to the address of the holder appearing in the register maintained by the registrar for the Series C Debentures. Payment of principal at maturity will be made at the principal office of the paying agent in the City of Toronto (or in such other city or cities as may from time to time be designated by Northland) against surrender of the Definitive Series C Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Series C Debenture is not, at the place of payment, a business day such payment will be made on the next business

day and the holder of such Definitive Series C Debenture shall not be entitled to any further interest or other payment in respect of such delay.

#### *Reports to Holders*

Northland shall file with the Debenture Trustee, within 15 days after the filing thereof with the Ontario Securities Commission (the “OSC”), copies of Northland’s annual report and the information, documents and other reports that Northland is required to file with the OSC and deliver to Shareholders. Notwithstanding that Northland may not be required to remain subject to the reporting requirements of the OSC, Northland shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an audited annual financial statement of Northland, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Northland which shall, at a minimum, contain such information as is required to be provided in financial statements under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not Northland has any of its securities so listed. Each of such reports will be prepared in accordance with applicable Canadian disclosure requirements and generally accepted accounting principles. Northland will provide copies of such information, documents and reports to Debentureholders upon request.

#### *Governing Law*

Each of the Indenture and the Series C Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such Province.

### **BOOK-ENTRY ONLY SYSTEM**

Except in limited circumstances, the Series C Debentures will be issued in “book-entry only” form and must be purchased or transferred through a Participant. On the closing of the Offering, one or more certificates representing each of such Series C Debentures will be issued in registered form to CDS or its nominee, CDS & Co., and will be deposited with CDS pursuant to the book-entry only system.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Series C Debentures issued in “book-entry only” form (a “**Beneficial Owner**”) will not be entitled to receive a certificate for the Series C Debentures, or, unless requested, for the Underlying Shares, as the case may be. Purchasers of the Series C Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in the Series C Debentures issued in “book-entry only” form will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Series C Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Series C Debentures issued in “book-entry only” form will be made only through the depository service of CDS.

As indirect holders of the Series C Debentures issued in “book-entry only” form, investors should be aware that they (subject to the situations described below): (a) may not have the Series C Debentures registered in their name; (b) may not have physical certificates representing their interest in the Series C Debentures; (c) may not be able to sell the Series C Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge the Series C Debentures as security.

The Series C Debentures issued in “book-entry only” form will be issued to beneficial owners thereof in fully registered and certificated form only if: (a) required by applicable law, including where a security certificate requires the addition of a legend under applicable securities laws in the United States; (b) the book-entry only system ceases to exist; (c) Northland or CDS advises the Debenture Trustee, as applicable, that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Series C Debentures and Northland is unable to locate a qualified successor; or (d) Northland, at its option, decides to terminate the book-entry only system through CDS.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee, as applicable, must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of certificates for the Series C Debentures. Upon surrender by CDS of the global certificates representing the Series C Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee, as applicable, will deliver the Series C Debentures in the form of certificates for the Series C Debentures

and thereafter Northland will recognize the holders of such certificates as holders of Series C Debentures and Common Shares, as the case may be.

Neither Northland nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series C Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series C Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this prospectus supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for any payments relating to the Series C Debentures paid by or on behalf of Northland to CDS.

## PLAN OF DISTRIBUTION

Pursuant to the underwriting agreement dated as of January 15, 2015 (the “**Underwriting Agreement**”) between BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc., Canaccord Genuity Corp., FirstEnergy Capital Corp., Casgrain & Company Limited and Cormark Securities Inc. (collectively, the “**Underwriters**”) and Northland in respect of the Offering, Northland has agreed to issue and sell to the Underwriters, and the Underwriters have severally agreed to purchase on the Closing Date, an aggregate of 150,000 Series C Debentures at a price of \$1,000 per Series C Debenture payable in cash against delivery, in each case, subject to the terms and conditions contained in the Underwriting Agreement. Delivery of the Series C Debentures is conditional upon payment at closing of \$1,000 per Series C Debenture by the Underwriters to Northland. The Underwriting Agreement provides that Northland will pay the Underwriters a fee of 4.0% of the gross proceeds of the Offering, being a fee of \$40 per \$1,000 principal amount of Series C Debentures, for an aggregate fee payable by Northland of \$6,000,000, in consideration for their services in connection with the Offering. The Underwriters’ fee in respect of the Offering is payable upon the closing of the Offering. The terms of the Offering, including the price of the securities offered, were determined by negotiation between: (i) Northland, and (ii) BMO Nesbitt Burns Inc., CIBC World Markets Inc. and National Bank Financial Inc. on behalf of the Underwriters.

Under the terms of the Underwriting Agreement, Northland has granted an over-allotment option (the “**Over-Allotment Option**”) to the Underwriters. Pursuant to the Over-Allotment Option, the Underwriters may purchase up to an additional \$7,500,000 principal amount of Series C Debentures at a price of \$1,000 per \$1,000 principal amount of Series C Debentures. The Over-Allotment Option is exercisable at any time within 30 days of the closing of the Offering. If the Over-Allotment Option is exercised in full, the gross proceeds of the Offering (before deducting expenses of the Offering and the Underwriters’ fee) will be \$157,500,000.

This prospectus supplement also qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Series C Debentures pursuant to the exercise of the Over-Allotment Option.

The Underwriters propose to offer the Series C Debentures distributed under this prospectus supplement initially at a price of \$1,000 per \$1,000 principal amount of Series C Debentures. After a reasonable effort has been made to sell all of the Series C Debentures distributed under this prospectus supplement at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of such Series C Debentures remaining unsold. In the event the offering price of the Series C Debentures is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Series C Debentures is less than the gross proceeds paid by the Underwriters to Northland for the Series C Debentures. Any such reduction will not affect the proceeds received by Northland.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated upon the occurrence of certain stated events. Subject to certain exceptions contained in the Underwriting Agreement, if an Underwriter fails to purchase the Series C Debentures which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series C Debentures. The Underwriters are, however, obligated to take up and pay for all Series C Debentures if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that Northland will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Subscriptions for the Series C Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about January 22, 2015 or such other date not later than February 23, 2015 as

Northland and the Underwriters may agree upon. Except as described below, at the closing, the Series C Debentures qualified for distribution under this prospectus supplement will be available for delivery in book-entry form through CDS or its nominee, and will be deposited with CDS. Subject to certain exceptions, purchasers of the Series C Debentures issued hereunder will receive only a customer confirmation from the registered dealer that is a Participant and from or through which such Series C Debentures are purchased and shall not have the right to receive physical certificates evidencing their ownership of the Series C Debentures.

Northland has been advised by the Underwriters that, in connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions which stabilize or maintain the market price of the Common Shares and the Series C Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the terms of the Underwriting Agreement, Northland has agreed not to directly or indirectly issue any equity securities or securities or other financial instruments convertible into or having the right to acquire equity securities of Northland (other than pursuant to Northland's long term incentive plan, dividend reinvestment plan, or any rights or obligations under securities or instruments outstanding on the date hereof or relating to additional equity funding required to finance Nordsee One and the Grand Bend wind farm) or enter into any agreement or arrangement under which Northland acquires or transfers to another, in whole or in part, any of the economic consequences of ownership of equity securities or agree to become bound to do so, or disclose to the public any intention to do so, for a period from the date of the Underwriting Agreement until 90 days following closing of the Offering, without the prior written consent of BMO Nesbitt Burns Inc., CIBC World Markets Inc. and National Bank Financial Inc. which consent will not be unreasonably withheld.

Northland has applied to list the Series C Debentures and the Underlying Shares issuable pursuant to the terms of the Series C Debentures on the TSX. The TSX has conditionally approved the listing of the Series C Debentures, as well as the Underlying Shares. Listing will be subject to Northland fulfilling all of the listing requirements of the TSX on or before April 15, 2015. There is currently no market through which the Series C Debentures may be sold. Accordingly, purchasers may not be able to resell Series C Debentures purchased under the prospectus supplement. This may affect the pricing of the Series C Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

Northland Power Holdings Inc. ("**NPHI**"), a company controlled by James C. Temerty, Chairman of Northland, has waived its pre-emptive rights (under the Pre-emptive Rights, Tendering and Voting Agreement between Northland and NPHI) to purchase Series C Debentures.

The Offering is being made in each of the provinces of Canada. The Series C Debentures and the Underlying Shares have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**") or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters, either directly or through their U.S. registered broker-dealer affiliates, to offer and resell the Series C Debentures that they purchase pursuant to the Underwriting Agreement to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in the United States in transactions in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act and similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Series C Debentures outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Series C Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. This prospectus supplement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Series C Debentures in the United States or for the account or benefit of a person in the United States.

Each of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and Desjardins Securities Inc. is a wholly owned subsidiary of a Canadian chartered bank (collectively, the "**Banks**") which are lenders to Northland pursuant to Northland's existing credit facility in the aggregate amount of \$600 million (the "**Credit Facility**"). Accordingly, Northland could be considered a connected issuer of each such Underwriter for purposes of the securities legislation of certain Canadian provinces. As at the date hereof, there are no cash drawings and \$219 million of letters of credit outstanding to the Banks under such Credit Facility. Northland is in compliance with the terms of the Credit Facility



and its financial position has not changed substantially and adversely since the indebtedness under the Credit Facility was incurred and no breach thereunder has been waived by the Banks under the Credit Facility. The decision to distribute the Series C Debentures was made by Northland and the terms and conditions of the Offering were determined through negotiations between: (i) Northland, and (ii) BMO Nesbitt Burns Inc., CIBC World Markets Inc. and National Bank Financial Inc. on behalf of the Underwriters. The Banks did not have any involvement in such decision or determination. In addition, none of the Banks nor their affiliate lenders will receive any benefit from the Offering, other than these Underwriters' respective portion of the Underwriters' fee payable by Northland as described above under "*Plan of Distribution*".

Certain of the Underwriters and/or their affiliates have performed investment banking and advisory services for Northland and its affiliates from time to time for which they have received customary fees and expenses. The Underwriters and/or their affiliates may, from time to time, engage in transactions with, or perform services for, Northland and its affiliates in the ordinary course of business and receive fees in connection therewith.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to Northland and McCarthy Tétrault LLP, counsel to the Underwriters (collectively "**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) and the regulations promulgated thereunder (the "**Tax Act**") to a subscriber (the "**Holder**") who acquires, as beneficial owner, Series C Debentures pursuant to the Offering and to such Holder who acquires, as beneficial owner, Common Shares pursuant to a conversion, redemption or repayment of Series C Debentures (collectively, the "**Securities**") and who, for purposes of the Tax Act and at all relevant times, holds the Securities as capital property and deals at arm's length with, and is not affiliated with, Northland or the Underwriters. Generally, the Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and Counsels' understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing by it prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or any changes in the CRA's administrative policies or assessing practices, whether by legislative, governmental or judicial action or decision, nor does it take into account or anticipate any other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) an interest in which would be a "tax shelter investment"; (iii) that is a "specified financial institution"; (iv) who makes or has made a "functional currency" reporting election; or (v) that has entered or enters into a "derivative forward agreement" with respect to the Securities (each as defined in the Tax Act), (vi) that is a "specified shareholder" of Northland for purposes of subsection 18(5) of the Tax Act or a person who does not deal at arm's length with such a specified shareholder; and (vii) who does not deal at arm's length with any transferee that is resident in Canada for purposes of the Tax Act to whom the Holder disposes of a Series C Debenture. **Any such Holder should consult its own tax advisor with respect to an investment in the Securities.**

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Securities, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective purchasers or holders of Securities should consult their own tax advisors with respect to their particular circumstances.**

### Residents of Canada

The following portion of the summary applies to Holders of Securities who at all relevant times are resident or deemed to be resident in Canada for the purposes of the Tax Act and any applicable income tax treaties or

conventions (a “**Resident Holder**”). Certain Resident Holders of Common Shares or Series C Debentures who might not otherwise be considered to hold such Common Shares or Series C Debentures as capital property may, in certain circumstances, be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Common Share or Series C Debenture and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years. **Resident Holders of Common Shares or Series C Debentures contemplating making the election permitted by subsection 39(4) of the Tax Act should consult their own independent tax advisors as such an election would affect the income tax treatment of dispositions by the Resident Holder of other Canadian securities.**

#### *Taxation of Interest on Series C Debentures*

A Resident Holder that is a corporation, partnership, unit trust or a trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Series C Debentures that accrues (or is deemed to accrue) to the Resident Holder to the end of that taxation year or that becomes receivable by or is received by the Resident Holder before the end of that taxation year, except to the extent that the Resident Holder included that interest in computing its income for a preceding taxation year.

Any other Resident Holder will be required to include in computing its income for a taxation year all interest (whether paid in cash or Common Shares) on the Series C Debentures received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the Resident Holder included that interest in income for a preceding taxation year. In addition, if at any time a Series C Debenture should become an “investment contract” (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Series C Debenture up to any “anniversary day” (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Resident Holder's income for that year or a preceding year.

As described above under the heading “*Details of the Offering – Common Share Interest Payment Election*”, Northland may elect to pay the interest on the Series C Debentures which are to be redeemed or which have matured by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to a cash payment equal to the interest owed to the Resident Holder from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation were to pay interest in this manner, the Canadian federal income tax consequences to a Resident Holder would not differ from those described above.

#### *Exercise of Conversion Privilege*

A Resident Holder who converts a Series C Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed (the “**Conversion Disposition**”) of the Series C Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion.

Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Series C Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Series C Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

For Resident Holders converting their Series C Debentures, interest accrued thereon and unpaid to and including the last day of the month immediately preceding the month in which those Resident Holders convert their Series C Debentures will be included in computing the income of the Resident Holder, as described above under “*Taxation of Interest on Series C Debentures*”.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Series C Debenture should generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Series C Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

However, the tax characterization of the Make-Whole Premium could impact the tax treatment of a Resident Holder who converts Series C Debentures into Common Shares. See the discussion below under “*Make Whole Premium*”.

### *Dispositions of Series C Debentures*

A disposition or deemed disposition of a Series C Debenture by a Resident Holder, including redemption, or repayment on maturity (but not including a conversion of the Series C Debentures into a Common Share under a Conversion Disposition) should generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. For this purpose, proceeds of disposition generally will not include amounts required to be included in income as interest. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Capital Gains and Capital Losses*".

If the Resident Holder receives Common Shares on redemption or repayment, the Resident Holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Common Shares so received (but not including amounts in respect of interest) at the time of acquisition and the amount of any cash received in lieu of fractional Common Shares. The Resident Holder may realize a capital gain (or capital loss) computed as described below under "*Capital Gains and Capital Losses*". The cost to the Resident Holder of the Common Shares so received should generally be equal to the fair market value thereof, and must be averaged with the adjusted cost base of all other Common Shares held as capital property at the time of the acquisition for the purpose of calculating the adjusted cost base of such Common Shares.

Upon a disposition or deemed disposition of a Series C Debenture, interest accrued thereon to the date of disposition will be included in computing the income of the Resident Holder as described above under "*Taxation of Interest on Series C Debentures*", and will be excluded in computing the Resident Holder's proceeds of disposition of the Series C Debenture.

A Resident Holder who has over-accrued interest income in respect of a Series C Debenture generally will be entitled to a deduction in computing the Resident Holder's income for the taxation year in which the Series C Debenture is disposed of (including on conversion) in an amount equal to such over accrued income.

### *Make-Whole Premium*

Where a Resident Holder receives a Make-Whole Premium (whether in cash or Common Shares), the tax characterization is uncertain. It is unclear whether the payment of the Make-Whole Premium could be considered additional consideration for the conversion of the Series C Debentures in circumstances that would cause the Resident Holder to become ineligible to qualify for the tax treatment applicable to a Conversion Disposition.

A Resident Holder may be required to include the amount of any Make-Whole Premium in its income in the taxation year in which it is received or becomes receivable. No advance tax ruling or legal opinion has been sought or obtained and no representation is made in this regard. Resident Holders should consult their own tax advisors in this regard.

### *Dispositions of Common Shares*

On the disposition or deemed disposition of a Common Share, the Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the Resident Holder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Common Share and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by Northland that is otherwise required to be included in the Resident Holder's income.

### *Capital Gains and Capital Losses*

One-half of any capital gain realized by a Resident Holder will be included in the Resident Holder's income as a taxable capital gain and one-half of any capital loss realized by a Resident Holder may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Where a Resident Holder that is a corporation or trust (other than a mutual fund trust) disposes of a Common Share, the Resident Holder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by Northland to have been received by the Resident Holder except to the extent that a loss on a previous disposition of a Common Share has been reduced by those dividends. Analogous rules apply

where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Common Shares.

#### *Dividends on Common Shares*

A Resident Holder that is an individual (other than certain trusts), will be required to include in income the dividends received or deemed to be received on the Common Shares, which will be subject to the normal gross-up and dividend tax credit rules applicable to dividends paid by taxable Canadian corporations under the Tax Act, including the enhanced gross-up and dividend tax credit applicable to any dividend designated by Northland as an “eligible dividend” in accordance with the provisions of the Tax Act. There may be limitations on Northland’s ability to designate dividends as “eligible dividends”.

A Resident Holder that is a corporation will be required to include in income any dividend received or deemed to be received on the Common Shares and generally will be entitled to deduct an equivalent amount in computing its taxable income.

Private corporations (as defined in the Tax Act) and or certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 33 ⅓% refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing Northland’s taxable income.

#### *Alternative Minimum Tax*

Capital gains realized or dividends received, or deemed to be received, by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

#### *Additional Refundable Tax*

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax of 6 ⅔%, on its “aggregate investment income”, which is defined in the Tax Act to include taxable capital gains and interest.

### **Taxation of Non-Residents**

The following portion of the summary applies to a Holder of Securities who, at all relevant times, for purposes of the Tax Act and any relevant income tax treaty or convention: (i) is not, and is not deemed to be resident in Canada; and (ii) does not use or hold and will not be deemed to use or hold, the Securities in a business carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Holder that is an insurer that carries on an insurance business in Canada. Such Holders should consult their own tax advisors.

#### *Taxation of Interest on Series C Debentures*

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Series C Debentures.

#### *Exercise of Conversion Privilege*

The conversion of a Series C Debenture into Common Shares only on the exercise of a conversion privilege by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Series Debenture and, accordingly, a Non-Resident Holder will not realize a gain or a loss on such conversion. However, the tax characterization of the Make-Whole Premium could impact the tax treatment of a Non-Resident Holder who converts the Series C Debenture into Common Shares. See the discussion below, under “*Make-Whole Premium*”.

#### *Make-Whole Premium*

It is unclear whether the Make-Whole Premium will be characterized as participating debt interest. If the Make-Whole Premium is a payment on account of participating debt interest, the Make-Whole Premium may be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Holder’s jurisdiction of residence. For example, under the

*Canada-United States Income Tax Convention (1980)* as amended, the withholding rate is reduced to 15% where the recipient of an interest payment is entitled to claim the benefit of that treaty. No advance tax ruling or legal opinion has been sought or obtained and no representation is made in this regard. **Non-Resident Holders of Series C Debentures should seek advice from their own tax advisors.**

#### *Disposition of Series C Debentures and Common Shares*

A Non-Resident Holder will not generally be subject to tax under the Tax Act on a disposition of a Series C Debenture (including as a result of a redemption, payment on maturity or purchase for cancellation) or of a Common Share, as the case may be, unless the Series C Debenture or Common Share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

#### *Disposition of Taxable Canadian Property*

Provided the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSX) at the time of disposition, the Securities will generally not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are satisfied concurrently: (i) (a) the Non-Resident Holder; (b) persons with whom the Non-Resident Holder did not deal at arm’s length; (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; or (d) any combination of the persons and partnerships described in (a) through (c), owned 25% or more of the issued shares of any class or series of the shares of Northland; and (ii) more than 50% of the fair market value of the shares of Northland was derived directly or indirectly from one or any combination of: real or immovable property situated in Canada, “Canadian resource properties”, “timber resource properties” (each as defined in the Tax Act), and options in respect of, or interests in or for civil law rights in, such properties. **A Non-Resident Holder contemplating a disposition of Securities that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.**

#### *Receipt of Dividends on Common Shares*

Dividends received or deemed to be received by a Non-Resident Holder on the Common Shares will be subject to Canadian withholding tax under the Tax Act. The general rate of withholding tax is 25%, although such rate may be reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder’s country of residence, for example, under the *Canada-United States Income Tax Convention (1980)* as amended, the rate is generally reduced to 15%.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Borden Ladner Gervais LLP, counsel to Northland, and McCarthy Tétrault LLP, counsel to the Underwriters, if issued on the date hereof, the Series C Debentures, and Common Shares issued pursuant to the terms of the Series C Debentures would be qualified investments for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered disability savings plans, deferred profit sharing plans, tax-free savings accounts (“TFSA”) and registered education savings plans (collectively, the “Plans”), provided that: (i) in the case of the Series C Debentures, the Common Shares are listed on a designated stock exchange (except, in the case of a deferred profit sharing plan to which Northland, or an employer that does not deal at arm’s length with Northland, has made a contribution); and (ii) in the case of the Common Shares, such Common Shares are listed on a designated stock exchange (which includes the TSX).

The Series C Debentures and the Commons Shares issued pursuant to the terms of the Series C Debentures will not be prohibited investments on such date for a TFSA, RRSP or RRIF provided that, for purposes of the Tax Act, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, deals at arm’s length with Northland and does not have a significant interest (within the meaning of the Tax Act) in Northland, or provided that such shares constitute “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for the TFSA, RRSP or RRIF, as the case may be. Holders of TFSAs and annuitants of RRSPs or RRIFs should consult their own tax advisors in this regard.

## RISK FACTORS

An investment in the Series C Debentures is subject to a number of risks described below and in the documents incorporated by reference herein. Before deciding whether to invest in the Series C Debentures, prospective investors should consider carefully the risks relating to Northland described below as well as those described at page 15 of the Prospectus and at pages 39 to 47 of the AIF.

### *Risks Related to the Gemini and Nordsee Projects*

#### **Possible Failure to Achieve Financial Close or Failure to Complete the Offshore Projects**

The Gemini and Nordsee One projects (each an “**Offshore Project**” and collectively, the “**Offshore Projects**”) are subject to normal commercial risks that they may not be completed on the terms negotiated or at all. If Nordsee One fails to reach Financial Close and Northland is unable to sell its interests in Nordsee One for at least the amount invested at that time, Northland may incur losses in respect of the development expenditures related to Nordsee One incurred by Northland and such losses could have a significant adverse impact on Northland’s financial results. In addition, Northland would have to find alternative uses for deploying the proceeds of the Offering, which may be less favourable to Northland than the investment in Nordsee One. After Financial Close, if either of the Offshore Projects fails to be completed and cannot be sold for at least the amount invested at the time of sale, Northland will incur losses from the total investments in and commitments made to the relevant Offshore Project at the time of failure, which could be substantial and have a significant adverse impact on Northland’s financial results and financial position, and may impair Northland’s ability to maintain its current level of dividend payments.

#### **Possible Inability of Northland to Secure Remaining Funds for Nordsee One**

Should Northland be unable to secure funds for Nordsee One from various sources including but not limited to cash on hand, its credit facilities, private placements, and the capital markets, or if Northland experiences an operational or other loss prior to Financial Close, Northland may not have sufficient funds to satisfy its required contributions with the result that Financial Close may not occur.

#### **Risks Related to Evaluation of the Offshore Projects**

Northland’s decision to pursue the Offshore Projects is based in large part on engineering, environmental and economic assessments made by Northland and by independent engineers and consultants. Many factors underlying these assessments are subject to change and are beyond the control of Northland. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in the costs of the Offshore Projects being higher than anticipated or revenues or returns being lower than anticipated.

#### **Risks Related to Co-Ownership**

For Nordsee One, both Sponsors are required to approve the project financing. There can be no assurance that RWE will obtain the required approval to allow Nordsee One to reach Financial Close as planned. A failure of RWE to fulfill its funding commitments could result in a failure to reach Financial Close. Northland will be relying on RWE to fulfill its commitments and obligations under the SHIA and the other contracts in respect of Nordsee One to which such Sponsor is a party. There is a risk that RWE will be unable or unwilling to fulfill its obligations under the SHIA and the other contracts in respect of Nordsee One to which it is a party. In such a case, Nordsee One’s operations may be adversely impacted and therefore Northland’s cash flows from Nordsee One could be adversely impacted.

Similarly, Northland is reliant upon the other sponsors of the Gemini Project to fulfill their obligations and undertakings pursuant to the various ownership and other agreements and, to the extent they fail to do so, the Gemini Project and Northland may be adversely impacted.

#### **Risks Related to Significant Capital Expenditures, Construction, Budget and Schedule**

Achieving the full benefits of the Offshore Projects will depend, in part, on successfully completing the construction of the Offshore Projects in accordance with the construction schedules and budgets. Failure to meet the applicable schedule or budget could result in the Offshore Projects not achieving the expected financial results, which may lead to a diversion of management’s time and attention from Northland’s other strategic opportunities and from operational matters. The expected Offshore Projects’ construction costs may not be sufficient to

adequately complete the Offshore Projects. In addition, issues could be discovered during the construction process that would cause the Offshore Projects, and indirectly Northland, to incur additional and unexpected costs. The pre-completion revenues are also impacted by construction risk as well as energy yield risk. In particular, a delay in installation and operations of the wind turbine generators or electrical infrastructure could imperil existing permits and grid connection commitments, could reduce the FiT tariff and would prevent revenue from being generated by the Offshore Projects.

Nordsee One uses a multi-contracting approach that is common in Germany for offshore wind projects, instead of a turbine supply and installation contract coupled with a balance of plant engineering, procurement and construction contract approach commonly used in Canada for wind projects. There may be increased risks to the Company from overall project management and coordination, compatibility errors, liability caps and warranties on an individual work package basis and issues of delays, cost overruns, performance failures and litigation from multiple physical and contractual interfaces as a result of the planned use of five principal contracts for construction of Nordsee One.

### **Risk of Default under Project Loan Agreements**

The Offshore Projects are financed by highly structured term loans that contain provisions related to, among other things, operations, financial results, project contracts, sponsor obligations, covenants, representations and warranties, and sponsor undertakings that if not met, could cause the Offshore Projects to default on the loans if the event of default cannot be cured during prescribed periods. Upon occurrence of a loan default, Northland could lose operational control of the Offshore Projects and some or all of its expected cash flows from the Offshore Projects.

### **Risks Related to Environmental Health and Safety Laws and Regulations**

If the Offshore Projects do not comply with applicable laws, regulations or permit requirements, they may be required to pay penalties or fines or curtail or cease operations. Violations of environmental and other laws, regulations and permit requirements, including certain violations of laws protecting migratory birds and endangered species, may also result in criminal sanctions or injunctions.

Environmental, health and safety laws, regulations and permit requirements may change or become more stringent. Any such changes could require the Offshore Projects to incur materially higher costs or curtail or cease the development or operation of the Offshore Projects. The costs of complying with current and future environmental, health and safety laws, regulations and permit requirements, and any liabilities, fines or other sanctions resulting from violations of them, could adversely affect the Offshore Projects and Northland.

### **Risks Related to Natural Events**

Off-shore wind projects, including their turbines and collection systems, are exposed to the elements such as wind, water, and movement of the sea floor. They are also susceptible to weather and other natural events such as hurricanes, tornadoes, lightning storms, and icing events that can cause construction delays and production losses and damage to construction equipment, wind turbine generators, wind turbine generator blades or other project equipment. Natural events may also make it impossible for operations and maintenance crews to access disabled turbines to deliver parts and provide services. During times of unavailability, turbines will not produce energy.

### **Risks Related to Technical Breakdowns and Operational Disruptions**

The Offshore Projects are exposed to risks in connection with disruptions to operations, which may be caused by technical breakdowns, system failures, aged or defective facility components, insufficient maintenance, failed repairs, power outages, adverse weather conditions, natural disasters, labour disputes, ill-intentioned acts or other accidents or incidents. Availability of wind turbine generators may suffer because wind turbine generators requiring service cannot be accessed by air or water during inclement conditions that would not inhibit such servicing of a land based project. These disruptions could result in shutdowns, delays, or long term decommissioning in production or distribution of power. This may materially and adversely affect the Offshore Projects' operations or financial condition and cause harm to the Offshore Projects' and Northland's reputation.

### **Risks Related to Events from Human Activity**

The movement and/or anchoring of water craft through areas surrounding the Offshore Projects, including near the collection systems or export cables, could cause damage to the construction equipment, wind turbine

generators, wind turbine generator blades or other project equipment, which could cause delays and/or losses. Similar losses could result from human activity near the Offshore Projects' on-shore assets. Although the Offshore Projects will be insured for such events, and liability could accrue to others in control of the events causing such damage, there can be no assurance that the insurance will provide coverage for any particular event, that coverage provided will be sufficient to account for the losses suffered by the Offshore Projects, that claims will be paid on a timely basis, that the making of claims will be justified given applicable deductibles, or that damages can be collected from third parties liable for such events.

### **Energy Yield Risks**

Despite the data for offshore wind projects in the North Sea and the separate yield studies conducted by consultants to the Offshore Projects and the senior lenders in connection with the Offshore Projects, the Offshore Projects may experience lower than expected energy yields. Wind resource projections do not predict the wind at any specific period of time in the future. Therefore, even in the event where prediction of a wind farm's wind resources becomes validated over time, the wind farm will experience hours, days, months and even years that are below wind resource predictions. Wind resource projections may not predict the actual wind resources observed by the wind farm over a long period of time. Assumptions included in wind resource projections, such as the interference between turbines, may not be accurate.

### **Risk of Increased Operating Costs during the Operating Period**

Operating costs of the Offshore Projects could be higher than expected, thereby reducing the cash flows available to Northland and the other sponsors. Higher operating costs could also cause interruptions in distributions to Northland pursuant to the terms of the financing agreements, and could result in a default under the relevant Offshore Project loan agreements.

### **Power Market Risks**

The Offshore Projects will receive revenue in accordance with their power contracts pursuant to applicable renewable energy legislation. There is no guarantee that this legislation will not be changed, which may reduce the amount of cash flow received. The Offshore Projects are also subject to a certain degree of variable price risk in excess of their respective fixed-price tariffs.

### **Risks Applicable to Northland's International Activities**

Northland's operations in Europe and elsewhere are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

### **Foreign Exchange Risk**

Northland's corporate capital providers generally expect interest, dividends, principal repayments, and other compensation for providing capital to be settled in Canadian dollars. After all obligations of the Offshore Projects are paid from the respective Offshore Project's cash flows, any cash distributions from Gemini and Nordsee One to Northland will be paid in Euros. Although Northland has implemented financial hedges between the Euro and Canadian dollar for a material portion of the expected Gemini project's cash flows, and expects to do so for Nordsee One, there is no assurance that financial hedges will be available at all or available upon commercially reasonable economics, or will match the amounts or duration of the Offshore Projects' cash flows. Any interruption in cash flows to Northland from the Offshore Projects could cause existing or future hedging arrangements to be terminated or settled at a financial loss. Any financial hedges could be subject to a failure of a financial hedge counterparty.



## **Interest Rate Risk**

The financial hedges secured in respect of each of the Offshore Projects may vary from the actual profile of debt outstanding, and losses could be incurred at the Offshore Projects from under or over hedged EURIBOR exposure during the term of the loan. Despite the use of suitable financial derivatives products, some residual risks remain, particularly in connection with the process of terminating and reinstating hedges at the refinancing point, possible failure of a hedge counterparty, and uncertainties around future debt quantum.

## **Inflation Risk**

The power contracts of the Offshore Projects are not subject to an inflation rate escalation. Inflation beyond initial estimates could impact both Offshore Projects' economics and, in extreme cases, the Offshore Projects' ability to meet debt service coverage ratios or other obligations.

## **Refinancing Risks**

The maturity date of Gemini's senior debt is in 2031; however, starting in 2023, if a refinancing has not occurred, Gemini will be required to apply amounts otherwise available for Sponsor distributions to the mandatory repayment of the then outstanding senior loans. The Sponsors intend to refinance Gemini's senior debt prior to 2023, but Gemini's ability to refinance all of its senior debt on favourable terms will be dependent on, among other factors, the operating performance of Gemini, future debt market conditions, the level of future interest rate spreads, the effectiveness of the interest rate hedges and the ability to terminate the hedges efficiently if required, the state of the Dutch electricity market, future electricity market prices, and prospective lenders' assessment of Gemini's credit risk at such time. Nordsee One is not expected to be subject to similar refinancing risks because its loan is scheduled to be repaid fully during the loan term.

## ***Risks Related to the Offering***

### **Use of Proceeds of the Offering**

As set out under "*Use of Proceeds*" in this prospectus supplement, Northland intends to use the proceeds of the Offering to fund a portion of Northland's Investment in Nordsee One and the Grand Bend wind farm in Ontario, replenish working capital and for general corporate purposes. There may be circumstances that are not known at this time where a reallocation of the net proceeds of the Offering may be advisable for business reasons that the Board and management believe are in Northland's best interests.

### **Market for Securities**

Northland has applied to list the Series C Debentures and the Underlying Shares issuable upon the conversion of the Series C Debentures on the TSX. Listing is subject to Northland fulfilling all of the listing requirements of the TSX. However, there is currently no market through which the Series C Debentures may be sold and there is no guarantee that an active trading market will develop. Accordingly, purchasers may not be able to resell the Series C Debentures distributed under this prospectus supplement. This may affect the pricing of the Series C Debentures in the secondary market, the transparency and the availability of trading prices and the liquidity of the securities. There can be no assurance that an active trading market will develop for the Series C Debentures after the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

### **Market Conditions**

The market price of the Series C Debentures could be subject to significant fluctuations in response to variations in Northland's operating results, financial condition, liquidity and other internal factors. Factors that could affect the market price of the Series C Debentures that are unrelated to Northland's performance include domestic and global energy prices and market perceptions of the attractiveness of particular industries. The price at which the Series C Debentures will trade cannot be accurately predicted.

### **Prior Ranking Indebtedness; Absence of Covenant Protection**

The Series C Debentures are unsecured and will be subordinate to all Senior Indebtedness of Northland. The Series C Debentures will also be effectively subordinate to claims of creditors of Northland and its subsidiaries relating to all indebtedness, liabilities and obligations of Northland or its subsidiaries for the payment of which Northland is responsible, whether absolutely or contingently. The Indenture does not limit the ability of Northland

to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions on Common Shares, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of the Series C Debentures in the event of a future leveraged transaction involving Northland.

### **Conversion Following Certain Transactions**

In the case of certain transactions, each Series C Debenture will become convertible into the securities, cash or property receivable by a holder of Common Shares into which the Series C Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Series C Debentures in the future. For example, if Northland were to be acquired in a cash merger, each Series C Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on Northland's future prospects and other factors. See "*Details of the Offering – Conversion Privileges*".

### **Dilutive Effects on Shareholders of Northland**

Northland may determine to redeem outstanding Series C Debentures for Common Shares to repay outstanding principal amounts thereunder at maturity of the Series C Debentures by issuing additional Common Shares or, subject to regulatory approval, to satisfy all or part of Northland's obligation to pay interest on the Series C Debentures in accordance with the Indenture by delivering sufficient Common Shares to the Debenture Trustee. Accordingly, shareholders may suffer dilution. See "*Details of the Offering – Payment upon Redemption or Maturity*" and see "*Details of the Offering – Common Share Interest Election Payment*".

### **Prevailing Yields on Similar Securities**

Prevailing yields on similar securities will affect the market value of the Series C Debentures. Assuming all other factors remain unchanged, the market value of the Series C Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

### **The Canadian Income Tax Characterization of a Make-Whole Premium Received by a Holder is Uncertain.**

The Canadian income tax characterization of a Make-Whole Premium received by a Holder is uncertain. Holders should consult with their own tax advisors in this regard. See "*Certain Canadian Federal Income Tax Considerations – Residents of Canada – Make-Whole Premium*".

### **The Application of Canadian Non-Resident Withholding Tax is Uncertain.**

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at "arm's length" as defined in the Tax Act. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of, or production from, property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

The terms of the Series C Debentures provide for the payment of a Make-Whole Premium in certain circumstances. There is a risk that all, or a portion, of the Make-Whole Premium could be treated as interest for the purposes of the Tax Act. If this were the case, there is also a risk that the CRA could take the position that the Make-Whole Premium is participating debt interest for Canadian withholding tax purposes because the amount of the payment varies, in part, based on a criterion similar to those listed in the participating debt interest definition. However, no opinion or ruling has been requested or received from the CRA and there can be no assurance that CRA would not view the Make-Whole Premium as participating debt interest. Non-Resident Holders of Series C Debentures should seek advice from their own tax advisors. See "*Certain Canadian Federal Income Tax Considerations – Taxation of Non-Residents – Make-Whole Premium*".

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment upon maturity or redemption), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "Excess"). While the deeming rule does not apply in respect of certain "excluded obligations", the Series C Debentures may not

be “excluded obligations” even if no part of the interest or Make-Whole Premium is participating debt interest. As noted above, it is not clear whether the Make-Whole Premium will be participating debt interest. Moreover, there is a risk that any Excess would be considered to be participating debt interest. If the Make-Whole Premium or the Excess is participating debt interest, there is a risk that all interest that was or will be paid or deemed to be paid on the obligation will be considered to be participating debt interest and therefore subject to Canadian withholding tax.

The CRA has recently stated that it would not consider the Excess to be participating debt interest provided that the convertible debenture in question was issued by a Canadian public corporation (such as Northland) and otherwise satisfied the requirements of a “standard convertible debenture” (as that term was defined in a submission, dated May 10, 2010, made to the CRA by the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants). Therefore, there would be no withholding tax in such circumstances provided that the payor and payee deal at arm's length for purposes of the Tax Act. The Series C Debentures should generally meet the criteria set forth in the CRA's recent statement. However the application of the CRA's administrative practice is uncertain and there is a risk that amounts paid or payable by Northland to a non-resident holder of Series C Debentures on account of interest, the Make-Whole Premium or any Excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention).

### **Dividends on Common Shares**

Notwithstanding anything contained in this prospectus supplement, the payment and the amount of dividends declared on the Common Shares, if any, will be subject to the discretion of the Board and will depend on the Board's assessment of Northland's outlook for growth, capital expenditure requirements, funds from operations, potential opportunities, debt position and other conditions that the Board may consider relevant at such future time, including applicable restrictions that may be imposed under the Credit Facility and on the ability of Northland to pay dividends. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in energy prices, capital expenditure requirements, debt service requirements, operating costs and foreign exchange rates. In addition, the market value of the Common Shares may decline if Northland's cash dividends decline in the future, and that market value decline may be material.

### **Forward-Looking Information May Prove Inaccurate**

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

## PRIOR SALES

On March 5, 2014, Northland issued \$75,000,000 aggregate principal amount of Series B Debentures at a price of \$1,000 per Series B Debenture.

### TRADING PRICE AND VOLUME OF THE SECURITIES OF NORTHLAND

#### Common Shares

The outstanding Common Shares of Northland are listed and posted for trading on the TSX under the trading symbol “NPI”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Common Shares as reported by the TSX:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2015</b>			
January (January 1 to 14) .....	\$16.15	\$15.20	2,957,759
<b>2014</b>			
December .....	\$16.77	\$14.55	7,173,736
November .....	\$17.43	\$16.02	3,963,151
October .....	\$17.30	\$15.44	5,994,671
September .....	\$18.25	\$16.76	5,199,063
August .....	\$18.39	\$17.34	2,804,257
July .....	\$18.69	\$17.42	5,016,294
June .....	\$18.33	\$17.54	4,966,042
May .....	\$18.24	\$17.04	3,928,283
April .....	\$17.67	\$17.05	2,779,726
March .....	\$17.42	\$16.30	4,824,967
February .....	\$16.90	\$15.66	7,136,493
January .....	\$16.36	\$15.20	4,074,897

#### Debentures

The outstanding Series A Debentures of Northland are listed and posted for trading on the TSX under the trading symbol “NPI.DB.A”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series A Debentures of Northland as reported by the TSX:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2014</b>			
December <sup>(1)</sup> .....	\$131.17	\$116.00	21,125
November .....	\$138.97	\$129.00	9,230
October .....	\$136.00	\$133.00	1,750
September .....	\$142.93	\$135.52	1,710
August .....	\$145.00	\$140.00	3,300
July .....	\$149.00	\$142.00	2,220
June .....	\$145.83	\$142.19	1,130
May .....	\$145.00	\$140.00	6,980
April .....	\$140.54	\$136.14	1,930
March .....	\$139.98	\$129.65	1,620
February .....	\$135.30	\$126.00	5,290
January .....	\$130.01	\$128.20	710

(1) The Series A Debentures matured on December 31, 2014.

The outstanding Series B Debentures of Northland are listed and posted for trading on the TSX under the trading symbol “NPL.DB.B”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series B Debentures of Northland as reported by the TSX:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2015</b>			
January (January 1 to 14) .....	\$103.97	\$102.50	504,000
<b>2014</b>			
December .....	\$105.00	\$102.60	670,000
November .....	\$105.00	\$103.60	24,170
October .....	\$105.30	\$103.00	8,730
September .....	\$105.50	\$105.00	9,140
August .....	\$106.00	\$105.20	1,170
July .....	\$106.00	\$103.97	26,550
June .....	\$104.61	\$103.35	9,570
May .....	\$105.69	\$103.51	63,420
April .....	\$105.00	\$104.50	17,940
March (March 5 to March 31) .....	\$104.75	\$100.50	180,670

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of Northland are Ernst & Young LLP, Chartered Accountants, Toronto, Ontario. To the knowledge of Northland, Ernst & Young LLP is independent of Northland in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

The transfer agent, registrar and the Debenture Trustee in respect of the Series C Debentures is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

#### **LEGAL MATTERS**

Certain legal matters relating to Canadian law in connection with the Series C Debentures offered hereby will be passed upon on behalf of Northland by Borden Ladner Gervais LLP, Toronto, Ontario and on behalf of the Underwriters by McCarthy Tétrault LLP, Toronto, Ontario.

As of the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and McCarthy Tétrault LLP beneficially own, directly or indirectly, less than 1% of the outstanding securities of Northland. Linda Bertoldi, a partner of Borden Ladner Gervais LLP, is a director of Northland.

#### **PURCHASERS’ STATUTORY RIGHTS**

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

## CERTIFICATE OF NORTHLAND

Dated: January 15, 2015

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

### NORTHLAND POWER INC.

(Signed) "*JOHN W. BRACE*"  
Chief Executive Officer

(Signed) "*PAUL J. BRADLEY*"  
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) "*JAMES C. TEMERTY*"  
Director

(Signed) "*JOHN N. TURNER*"  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: January 15, 2015

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

**BMO NESBITT BURNS INC.**

By: (signed) "*Greg Petit*"

**CIBC WORLD MARKETS INC.**

By: (signed) "*David H. Williams*"

**NATIONAL BANK FINANCIAL INC.**

By: (signed) "*Iain Watson*"

**RBC DOMINION SECURITIES INC.**

By: (signed) "*Robert Nicholson*"

**SCOTIA CAPITAL INC.**

By: (signed) "*Thomas I. Kurfurst*"

**TD SECURITIES INC.**

By: (signed) "*John Kroeker*"

**DESJARDINS SECURITIES INC.**

By: (signed) "*Francois Carrier*"

**CANACCORD GENUITY CORP.**

By: (signed) "*Steve Winokur*"

**FIRSTENERGY CAPITAL CORP.**

By: (signed) "*Erik B. Bakke*"

**CASGRAIN & COMPANY LIMITED**

By: (signed) "*Roger Casgrain*"

**CORMARK SECURITIES INC.**

By: (signed) "*Stefan Coolican*"

*This short form prospectus is a base shelf prospectus that has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of the securities.*

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and thereby only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Accordingly, subject to certain exceptions, these securities may not be offered or sold in the United States of America or to, or for the benefit of, U.S. persons. See "Plan of Distribution".*

*Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the **Manager, Investor Relations of Northland Power Inc.** at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario, Canada, M4V 3A1, Telephone: (647) 288-1438, and Fax: (416) 962-6266, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

April 17, 2014



**NORTHLAND POWER INC.**

**\$500,000,000**

**Common Shares**

**Preferred Shares**

**Debentures (unsecured)**

**Subscription Receipts**

Northland Power Inc. ("**Northland**") may offer to the public from time to time common shares ("**Common Shares**"), preferred shares ("**Preferred Shares**"), unsecured subordinated debentures ("**Debentures**") and subscription receipts ("**Subscription Receipts**", and collectively with the Common Shares, Preferred Shares and Debentures, the "**Securities**") up to a total initial offering price of \$500,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25-month period that this short form base shelf prospectus (the "**Prospectus**"), including any amendments hereto, remains valid.

The specific terms of any offering of Securities will be set forth in a prospectus supplement (a "**Prospectus Supplement**") including, where applicable: (i) in the case of Common Shares, the number of Common Shares being offered, the offering price (if the offering is a fixed price distribution), the manner of determining the offering price(s) (if the offering is not a fixed price distribution) and any other specific terms; (ii) in the case of Preferred Shares, the designation of the particular series, the number of shares offered, the offering price, the dividend rate, the dividend payment date, any terms of retraction or redemption, any exchange or conversion terms and any other specific terms; (iii) in the case of Debentures, the designation of the Debentures, the aggregate principal amount of the Debentures being offered, the currency or currency unit for which the Debentures may be purchased, authorized denominations, any limit on the aggregate principal amount of the Debentures of the series being offered, the issue and delivery date, the maturity date, the offering price (at par, at a discount or at a premium), the interest rate or method of determining the interest rate, the interest payment date(s), any conversion or exchange rights that are attached to the Debentures, any redemption provisions, any repayment provisions and any other specific terms; and (iv) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (if the offering is a fixed price distribution), the manner of determining the offering price(s) (if the offering is not a fixed price distribution), the terms, conditions and procedures for the exchange of the Subscription Receipts into or for Common Shares and/or other securities of Northland and any other specific terms. Northland reserves the right to include in a Prospectus Supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this Prospectus.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will

*(continued on next page)*



be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

Northland may sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell the Securities to one or more purchasers directly, if permitted under applicable securities laws, or through agents. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent engaged in connection with the offering and sale of Securities, and will set forth the method of distribution of such Securities, including the proceeds to Northland and any fees, discounts or any other compensation payable to underwriters, dealers or agents, and any other material terms of the plan of distribution.

The issued and outstanding Common Shares, Cumulative Rate Reset Preferred Shares, Series 1 of Northland (the “**Series 1 Shares**”), Cumulative Rate Reset Preferred Shares, Series 3 of Northland (the “**Series 3 Shares**”), the 6.25% convertible unsecured subordinated debentures, Series A of Northland (the “**Series A Debentures**”) and the 5.00% convertible unsecured subordinated debentures, Series B of Northland (the “**Series B Debentures**”) are listed and posted for trading on the Toronto Stock Exchange under the symbols “NPI”, “NPI.PR.A”, “NPI.PR.C”, “NPI.DB.A” and “NPI.DB.B”, respectively. **There is currently no market through which the Preferred Shares (other than the Series 1 Shares and the Series 3 Shares), Debentures (other than the Series A Debentures and the Series B Debentures) or Subscription Receipts which may be offered under this Prospectus may be sold and purchasers may not be able to resell any Preferred Shares, Debentures or Subscription Receipts purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors” as well as the “Risk Factors” section of the applicable Prospectus Supplement.**

In connection with any offering of the Securities (unless otherwise specified in the relevant Prospectus Supplement) the underwriters or agents may over-allot or effect transactions that stabilize or maintain the market price of the offered Securities at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

**No underwriter or dealer has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

Northland’s registered and head office is at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario, Canada M4V 3A1.

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## ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this Prospectus and in the documents incorporated by reference herein and is not entitled to rely on parts of the information contained in this Prospectus or documents incorporated by reference herein to the exclusion of others. Northland has not authorized anyone to provide investors with additional or different information. Northland is not offering to sell the Securities in any jurisdictions where the offer or sale of such Securities is not permitted. The information contained in this Prospectus or in the documents incorporated by reference herein is accurate only as of the date of this Prospectus or the respective date of the applicable document incorporated by reference herein, regardless of the time of delivery of this Prospectus or of any sale of the Securities.

For Investors outside Canada, Northland has not done anything that would permit the offering of the Securities or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the offering of the Securities and the possession or distribution of this Prospectus.

All dollar amounts herein are stated in Canadian dollars except where otherwise indicated.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager, Investor Relations of Northland Power Inc. at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario M4V 3A1, telephone (647) 288-1438 and fax (416) 962-6266, and are also available electronically at [www.sedar.com](http://www.sedar.com) under Northland's profile.

The following documents, filed with the securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus:

- (a) annual information form of Northland dated February 19, 2014 for the year ended December 31, 2013 (the "**AIF**");
- (b) audited consolidated financial statements of Northland for the year ended December 31, 2013, including the consolidated balance sheets as at December 31, 2013 and 2012 and January 1, 2012 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2013 and 2012 and related notes, together with the auditors' report thereon dated February 19, 2014 (the "**Annual Financial Statements**");
- (c) management's discussion and analysis related to the Annual Financial Statements;
- (d) management information circular dated April 19, 2013 prepared in connection with the annual meeting of Shareholders held on May 23, 2013; and
- (e) material change report of Northland dated March 7, 2014 in respect of the closing of the offering of Common Shares and Series B Debentures on March 5, 2014.

Any documents of the type referred to in the preceding paragraph, any material change report (except confidential material change reports), comparative interim financial statements, comparative annual financial statements and the accompanying report of the auditor, any business acquisition report, any Prospectus Supplement disclosing additional or updated information, any exhibit to financial statements of Northland or Prospectus Supplement containing earnings coverage ratios, and the template version of any marketing materials filed by Northland with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Prospectus and prior to the termination of the distribution of the applicable Securities shall be deemed to be incorporated by reference in this Prospectus.

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

Upon a new annual information form and related annual audited consolidated financial statements (and the management's discussion and analysis in respect thereof) being filed by Northland with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual audited consolidated financial statements, all interim unaudited consolidated financial reports (and the management's discussion and analysis in respect thereof), material change reports and business acquisition reports filed by Northland prior to the commencement of Northland's fiscal year in which the new annual information form was filed shall be deemed no longer to be incorporated into this Prospectus

for purposes of future offers and sales of Securities hereunder. Upon an interim unaudited consolidated financial report (and the management's discussion and analysis in respect thereof) being filed by Northland with the applicable securities regulatory authorities during the currency of this Prospectus, all interim unaudited consolidated financial reports (and the management's discussion and analysis in respect thereof) filed prior to the new interim unaudited consolidated financial report shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon a new management information circular relating to an annual meeting of shareholders of Northland being filed by Northland with the applicable securities regulatory authorities during the currency of this Prospectus, the management information circular for the preceding annual meeting of shareholders shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

A Prospectus Supplement containing the specific terms of an offering of Securities, updated disclosure of earnings coverage ratios, if applicable, and other information relating to the Securities, will be delivered to prospective purchasers of such Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement only for the purpose of the offering of the Securities covered by that Prospectus Supplement.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus and the documents incorporated by reference herein contain certain forward-looking statements which are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, cash flows and dividend payments, the construction, completion, attainment of commercial operations, cost and output of development projects, plans for raising capital, and the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. This information is based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans, its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, construction risks, counterparty risks, operational risks, the variability of revenues from generating facilities powered by intermittent renewable resources and the other factors described in the "*Risks and Uncertainties*" section of Northland's 2013 Annual Report and the AIF, which can both be found at [www.sedar.com](http://www.sedar.com) under Northland's profile and on Northland's website [www.northlandpower.ca](http://www.northlandpower.ca). Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur.

The foregoing does not constitute an exhaustive list of the factors that may affect Northland's forward-looking statements. Other risks and uncertainties not presently known to Northland or that Northland presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

The forward-looking statements contained in this Prospectus and the documents incorporated by reference herein are based on assumptions that were considered reasonable as of the date of this Prospectus. Readers are cautioned not to place undue reliance on the forward-looking statements, which reflect Northland's expectations only as of the date of this Prospectus. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

## NON IFRS MEASURES

This Prospectus and the documents incorporated by reference herein include references to Northland's adjusted EBITDA and free cash flow, measures not prescribed by International Financial Reporting Standards ("IFRS"). Adjusted EBITDA and free cash flow, as presented, may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA and free cash flow are widely accepted financial indicators used by investors to assess the performance of a company, including its ability to generate cash through operations.

Readers should refer to: (i) Section 5: *Consolidated Results*, in Northland's management's discussion & analysis related to the Annual Financial Statements for an explanation of adjusted EBITDA and free cash flow and a reconciliation of Northland's reported adjusted EBITDA to its consolidated income (loss) before taxes; and (ii) Section 6: *Equity, Liquidity and Capital Resources*, in Northland's management's discussion & analysis related to the Annual Financial Statements for a reconciliation of Northland's free cash flow to its cash provided by operating activities.

## NORTHLAND

Northland develops, builds, owns and operates facilities that produce “clean” (natural gas) and “green” (wind, solar and hydro) energy. Northland is incorporated under the *Business Corporations Act* (Ontario) and has its registered and head office at 30 St. Clair Avenue West, 17<sup>th</sup> Floor, Toronto, Ontario, Canada M4V 3A1.

### SUMMARY DESCRIPTION OF NORTHLAND’S BUSINESS

Northland owns or has an economic interest in power producing facilities with a total net capacity of approximately 1,349 Megawatts as at April 16, 2014. Northland’s operating assets comprise facilities that produce electricity from natural gas and renewable sources for sale under long-term PPAs with creditworthy customers that ensure revenue stability. Northland’s operating cash flows are diversified over five geographically separate regions and regulatory regimes. As of the date of this Prospectus, Northland has 110 MW (80 MW net interest) of projects under construction that are expected to reach commercial operations in 2014 and 2015. In addition, Northland has 150 MW (79 MW net interest) of wind and run-of-river hydro projects in advanced development in Canada, and Project Gemini, a 600 MW (360 MW net interest) off-shore wind project in advanced development located off the coast of the Netherlands. Northland expects to complete the development of these projects and construct them over the next three to four years.

In addition, Northland has a number of power projects at various stages of development. In some cases, these projects are being developed in response to specific procurements. In other cases, they are being developed to meet anticipated needs for new power resources in various jurisdictions.

Northland currently has approximately 2,200 MW of prospects in earlier stages of development. This potential capacity encompasses projects that are expected to use various technologies, including natural gas, hydro, wind and solar.

### RECENT DEVELOPMENTS

On March 5, 2014, Northland completed a public offering of 9,843,750 of Common Shares (including Common Shares issued under the over-allotment offering) at a price of \$16.00 per Common Share, representing \$157,500,000 of gross proceeds, and \$75,000,000 aggregate principal amount of Series B Debentures. In addition, the underwriters of the offering subsequently exercised in full an over-allotment option to acquire \$3,750,000 principal amount of Series B Debentures, representing 5% of the debenture offering, at the same offering price. Concurrently with the public offering, Northland completed a private placement of 3,125,000 Common Shares to a subsidiary of Northland Power Holdings Inc., a company controlled by Mr. James C. Temerty, at the same price per Common Share as the Common Shares issued pursuant to the public offering. The net proceeds from the public offering and private placement (together, the “**Offerings**”) are intended to be utilized by Northland to satisfy a portion of its equity contribution, and to fund a subordinated loan, to Project Gemini. The Series B Debentures have an initial maturity of June 30, 2014. If financial closing in respect of Project Gemini occurs prior to June 30, 2014, the maturity of the Series B Debentures will be automatically extended to June 30, 2019.

On March 7, 2014, Northland announced the completion of an amendment to its corporate credit facility with a syndicate of financial institutions. The credit facility was increased from \$250 million to \$600 million and consists of a committed \$350 million revolving facility and a committed \$250 million term facility. The revolving facility also provides for an accordion feature which permits increases of up to \$100 million upon obtaining commitments for such increase. The revolving facility is available for general corporate purposes and working capital. The term facility is available to assist in funding Northland’s investment in Project Gemini. The amended credit facility benefits from borrowing rates lower than prior to the amendment and allows for Canadian dollar, US dollar and Euro-denominated borrowings which supports Northland’s international activities. The maturity of the revolving facility has been extended from May 2015 to March 2019, with further annual renewal options. The maturity of the term facility is March 2018 with a one-year renewal option.

Northland’s Board of Directors has approved Northland’s ongoing participation in Project Gemini, which continues to progress towards financial closing, expected in the second quarter of 2014.

## USE OF PROCEEDS

The Securities will be issued from time to time at the discretion of Northland in an aggregate principal amount of up to \$500,000,000 in Canadian currency, or the approximate equivalent thereof if Securities are issued in foreign currencies or currency units, during the 25-month period from the date of this Prospectus. The net proceeds to be derived from the issue of the Securities offered by this Prospectus will be the issue price thereof less any commission paid in connection therewith. Such net proceeds cannot be estimated at the date hereof as the amount thereof will depend on the extent to which the Securities are issued hereunder and the terms and conditions of such Securities. The estimated amount of net proceeds and the specific use of proceeds and the business objectives to be achieved from the issuance of any Securities will be described in the relevant Prospectus Supplement. Proceeds that are not immediately required may be invested in short-term marketable securities.

## CONSOLIDATED CAPITALIZATION OF NORTHLAND

The following table sets forth the material changes to the consolidated capitalization for Northland as at December 31, 2013, as adjusted to give effect to the Offerings, and should be read in conjunction with the Annual Financial Statements.

	As at December 31, 2013 <sup>(1)</sup>	As at December 31, 2013 after giving effect to the Offerings <sup>(1)</sup>
<b>Indebtedness</b>		
Bank Indebtedness .....	-	-
Interest Bearing Loans and Borrowings.....	\$1,821,570	\$1,821,570
Convertible Debentures .....	\$15,992	\$91,592
Total Indebtedness .....	\$1,837,562	\$1,913,162
<b>Shareholders' Equity</b>		
Preferred Shares .....	\$261,737	\$261,737
Common Shares .....	\$1,637,480	\$1,838,680
Convertible Shares .....	\$14,615	\$14,615
Total Shareholders' Equity <sup>(2)</sup> .....	\$952,738	\$1,153,938
<b>Total Capitalization<sup>(3)</sup> .....</b>	<b>\$2,790,300</b>	<b>\$3,067,100</b>

Notes:

1. In thousands of dollars
2. Total Shareholders' Equity represents the following components: Preferred Shares, Common Shares, Long-Term Incentive Plan reserve, Convertible Shares, Accumulated Other Comprehensive Income, Accumulated Deficit, and Non-Controlling Interests.
3. Represents the sum of Total Indebtedness plus Total Shareholders' Equity.

## EARNINGS COVERAGE RATIOS OF NORTHLAND

The following earnings coverage ratios and *pro forma* earnings coverage are calculated on a consolidated basis for the period December 31, 2013, and are derived from the audited consolidated financial statements of Northland as at and for the year ended December 31, 2013. The *pro forma* earnings coverage ratios have been prepared as at December 31, 2013, as adjusted to give effect to the Offerings as if the Offerings had occurred at the beginning of the calculation period, and assumes that there are no additional earnings derived from the net proceeds of the Offerings or cash on hand.

The borrowing costs, including capitalized interest and preferred dividend obligations (after adjusting such dividends to a before-tax equivalent using an effective income tax rate of 26.5%) of Northland for the twelve-month period ended December 31, 2013 were approximately \$124.6 million. The borrowing costs, including capitalized interest and preferred dividend obligations, of Northland for the twelve-month period ended December 31, 2013, after giving effect to the Offerings were approximately \$128.3 million. The earnings of Northland before non-capitalized borrowing costs and taxes for the twelve-month period ended December 31, 2013 were approximately

\$295.1 and \$298.8 million after giving effect to the expenses of the Offerings, representing earnings coverage ratios of (a) 2.37 on a historical basis and (b) 2.33 on a *pro forma* basis after giving effect to the Offerings.

The earnings coverage ratios noted above include a deduction for depreciation and amortization of approximately \$109.8 million in the 12-month period ended December 31, 2013. If the earnings coverage ratios were adjusted to add back these non-cash deductions, the historical earnings coverage ratio would be 3.25, and the *pro forma* earnings coverage ratio after giving effect to the Offerings would be 3.18.

## **RATINGS**

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities.

On November 27, 2013, Standard & Poor's credit rating agency upgraded Northland's corporate rating to BBB Stable from BBB. Standard & Poor's report credited Northland's consistent cash flow generation, coupled with the completion of its North Battleford project on time and within budget as the reason for the upgrade. In addition, an update was made to Northland's preferred share rating and unsecured debt rating. The Series 1 Preferred Shares and Series 3 Preferred Shares ratings were upgraded on Standard & Poor's global scale and Canadian scale to BB+ and P-3 (High) from BB and P-3, respectively.

A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. Such opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. Standard & Poor's ratings for long-term debt instruments range from a high of AAA to a low CC. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. According to Standard & Poor's rating system, an obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). The outlook may be qualified as Positive, Negative, Stable, Developing or N.M. (not meaningful). A Stable rating outlook means that a rating is not likely to change.

The Series 1 Preferred Shares and Series 3 Preferred Shares have each been given a Canadian scale rating of P-3 by Standard & Poor's. Such P-3 rating is the tenth of twenty ratings used by Standard & Poor's in its Canadian preferred share rating scale (the first rating being the highest and the twentieth rating being the lowest). According to Standard & Poor's, a P-3 rating indicates that although the obligation is considered to be less vulnerable to non-payment than other speculative issues, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

Northland has paid applicable service fees to Standard & Poor's for the rating of Northland, the Series 1 Preferred Shares and the Series 3 Preferred Shares along with the annual review thereof.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

## **DESCRIPTION OF THE COMMON SHARES**

Holders of Common Shares are entitled to one vote in respect of each Common Share held at any meeting of the shareholders of Northland except meetings at which only the holders of a specified class or series of shares of Northland are entitled to vote. Subject to the rights of holders of Preferred Shares or any series thereof, and other shares of Northland ranking in priority to the Common Shares, the holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors in its discretion from time to time. In addition, subject to the prior rights of holders of Preferred Shares or any series thereof, and other shares of Northland ranking in priority to the Common Shares, the holders of the Common Shares are entitled to that portion of the balance of the assets of Northland equal to the ratio that the outstanding number of Common Shares is to the aggregate of the number of Common Shares outstanding and the product of the number of Class A Shares outstanding and the Class A



Conversion Rate (as defined in the Articles) upon the liquidation, dissolution or winding-up of Northland or other distribution of assets of Northland among its shareholders.

## DESCRIPTION OF THE PREFERRED SHARES

### Issuance in Series

The Board of Directors may from time to time issue Preferred Shares in one or more series, each series to consist of such number of shares as will before issuance thereof be fixed by the Board of Directors who will at the same time determine the designation, rights, privileges, restrictions and conditions attaching to that series of Preferred Shares.

### Voting

Subject to applicable corporate law, the Preferred Shares of each series shall be non-voting and not entitled to receive notice of any meeting of shareholders, provided that the designation, rights, privileges, restrictions and conditions may provide that if Northland shall fail, for a specified period, which is at least two years, to pay dividends at the prescribed rate on any series of the Preferred Shares, thereupon, and so long as any such dividends shall remain in arrears, the holders of that series of Preferred Shares shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class or series of shares are entitled to attend.

## DESCRIPTION OF THE DEBENTURES

### General

The following description of the Debentures is a brief summary of their material attributes and characteristics. The following summary uses words and terms which are defined in the Indenture. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture. The particular terms and provisions of Debentures offered by a Prospectus Supplement will be described in the Prospectus Supplement filed in respect of such Debentures.

The Debentures will be issued under and pursuant to the provisions of the Indenture. The Indenture permits the issuance of Debentures without limitation as to the aggregate principal amount.

The Debentures will be direct obligations of Northland and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all Senior Indebtedness of Northland as described under “*Description of the Debentures — Subordination*”. The Debentures will rank *pari passu* with every other series of debentures that have been issued, or may hereafter be issued, under the Indenture.

### Subordination

The payment of the principal of, and interest on, Debentures will be subordinated in right of payment, in the circumstances referred to below and more particularly as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of Northland. “**Senior Indebtedness**” of Northland is defined in the Indenture as all indebtedness of Northland (whether outstanding as at the date of the Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. The Indenture does not limit the ability of Northland to incur additional indebtedness, including additional Senior Indebtedness at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Northland, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Northland, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Northland, all creditors under any Senior Indebtedness will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

In addition to the foregoing, pursuant to the terms of the Indenture, neither the Debenture Trustee nor the Debentureholders shall be entitled to demand or otherwise attempt to enforce in any manner, institute proceedings for the collection of, or institute any proceedings against Northland including, without limitation, by way of any bankruptcy, insolvency or similar proceedings or any proceeding for the appointment of a receiver, liquidator, trustee or other similar official (it being understood and agreed that the Debenture Trustee and/or the Debentureholders shall be permitted to take any steps necessary to preserve the claims of the Debentureholders in any such proceeding and any steps necessary to prevent the extinguishment or other termination of a claim or potential claim as a result of the expiry of a limitation period), or receive any payment or benefit in any manner whatsoever on account of indebtedness represented by the Debentures at any time when an event of default (howsoever designated) has occurred and is continuing under any Senior Indebtedness and is continuing and, in each case, notice of such event of default has been given by or on behalf of the lender or lenders party to such Senior Indebtedness to Northland (the “**Senior Indebtedness Postponement Provisions**”).

### **Modification**

The rights of the holders of the Debentures or of any series of Debentures may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the Debentureholders.

### **Events of Default**

The Indenture provides that an event of default (“**Event of Default**”) in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the Maturity Date, upon redemption, by acceleration or otherwise; (iii) default in the performance of any material covenant in the Indenture that is not cured within 30 days of Northland receiving notice in writing specifying such default and requiring it to be cured; or (iv) certain events of bankruptcy, insolvency or reorganization of Northland under bankruptcy or insolvency laws. Subject to the Senior Indebtedness Postponement Provisions, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Debentures, declare the principal of (and premium, if any) and accrued interest on all outstanding Debentures to be immediately due and payable.

### **Offers for Debentures**

The Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by Debentureholders who did not accept the offer on the terms offered by the offeror.

### **Reports to Holders**

Northland shall file with the Debenture Trustee, within 15 days after the filing thereof with the Ontario Securities Commission, copies of Northland’s annual report and the information, documents and other reports that Northland is required to file with the Ontario Securities Commission and deliver to security holders. Notwithstanding that Northland may not be required to remain subject to the reporting requirements of the Ontario Securities Commission, Northland shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an audited annual financial statement of Northland, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of Northland which shall, at a minimum, contain such information as is required to be provided in financial statements under the laws of Canada or any province thereof to security holders of a company with securities listed on the Toronto Stock Exchange (“**TSX**”), whether or not Northland has any of its securities so listed. Each of such reports will be prepared in accordance with

applicable Canadian disclosure requirements and generally accepted accounting principles. Northland will provide copies of such information, documents and reports to Debentureholders upon request.

### **Governing Law**

Each of the Indenture and the Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such Province.

### **DESCRIPTION OF THE SUBSCRIPTION RECEIPTS**

The Subscription Receipts will be issued under a subscription receipt agreement. The particular terms and provisions of Subscription Receipts offered by any Prospectus Supplement will be described in the Prospectus Supplement filed in respect of such Subscription Receipts. This description will include, without limitation, where applicable; (i) the number of Subscription Receipts; (ii) the price at which the Subscription Receipts will be offered; (iii) the terms, conditions and procedures for the exchange of the Subscription Receipts into or for Common Shares and/or other securities of Northland; (iv) the number of Common Shares and/or other securities of Northland that may be issued or delivered upon exchange of each Subscription Receipt; and (v) any other material terms and conditions of the Subscription Receipts. Common Shares and/or other securities of Northland issued or delivered upon the exchange of Subscription Receipts will be issued for no additional consideration.

### **MARKET FOR SECURITIES**

#### **Common Shares**

The outstanding Common Shares of Northland are listed and posted for trading on the TSX under the trading symbol "NPI". The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Common Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2013</u></b>			
January	19.82	18.61	2,156,568
February	19.66	18.61	2,888,813
March	19.00	18.05	4,887,204
April	19.75	18.31	2,646,480
May	19.68	18.49	2,905,798
June	18.53	16.05	4,495,561
July	17.54	16.40	3,802,046
August	16.88	14.07	6,755,057
September	15.81	14.07	5,400,993
October	17.30	15.31	5,877,964
November	16.58	15.66	4,907,933
December	15.90	15.03	4,047,360
<b><u>2014</u></b>			
January	16.36	15.20	4,074,897
February	16.90	15.20	7,136,493
March	17.42	17.40	4,824,967
April (1-16)	17.58	17.05	1,663,659

## Preferred Shares

The outstanding Series 1 Preferred Shares of Northland are listed and posted for trading on the TSX under the trading symbol “NPI.PR.A”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series 1 Preferred Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2013</b>			
January	25.78	25.40	99,324
February	25.85	25.60	61,998
March	25.73	25.27	47,380
April	26.30	25.27	277,074
May	26.33	25.43	89,488
June	25.70	25.01	136,238
July	25.64	24.56	239,534
August	25.33	21.68	164,379
September	23.49	22.25	139,613
October	23.36	20.45	407,195
November	21.50	19.74	188,533
December	21.41	20.13	293,462
<b>2014</b>			
January	22.20	20.40	343,510
February	21.90	20.50	273,647
March	21.40	20.90	168,560
April (1-16)	21.85	21.35	50,696

The outstanding Series 3 Preferred Shares of Northland are listed and posted for trading on the TSX under the trading symbol “NPI.PR.C”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series 3 Preferred Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2013</b>			
January	26.25	25.65	85,894
February	26.79	26.10	101,232
March	26.99	25.84	77,208
April	26.44	25.53	74,326
May	26.47	25.75	109,099
June	26.37	24.39	132,671
July	25.39	24.76	112,124
August	25.30	22.86	139,200
September	24.11	23.07	132,343
October	24.08	22.66	207,586
November	24.75	23.16	120,709
December	24.58	22.78	111,048
<b>2014</b>			
January	24.75	23.25	64,848
February	23.89	22.60	138,443
March	24.75	23.71	68,073
April (1-16)	25.69	24.42	61,129

## Debentures

The outstanding Series A Debentures of Northland are listed and posted for trading on the TSX under the trading symbol “NPI.DB.A”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series A Debentures as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2013</b>			
January	155.00	150.00	2,420
February	155.38	145.00	70,020
March	151.00	140.50	2,360
April	157.50	141.02	8,880
May	157.14	149.82	5,190
June	146.76	136.00	2,810
July	139.40	133.08	1,790
August	132.11	114.12	1,840
September	125.60	115.00	2,230
October	136.19	124.32	480
November	131.63	126.77	1,170
December	126.64	121.98	1,670
<b>2014</b>			
January	130.01	128.20	710
February	135.30	126.00	5,290
March	139.98	129.65	1,620
April (1-16)	140.31	136.14	1,550

The outstanding Series B Debentures of Northland are listed and posted for trading on the TSX under the trading symbol “NPI.DB.B”. The following table sets forth, for the period indicated from the date of the Offerings, the monthly high and low trading prices and the trading volumes of the Series B Debentures as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2014</b>			
March (5-31)	104.75	100.50	180,670
April (1-16)	104.98	104.50	15,290

## PLAN OF DISTRIBUTION

Northland may sell the Securities to or through underwriters or dealers, and also may sell Securities to one or more other purchasers directly, if permitted under applicable securities law, or through agents. Each Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters or dealers, the purchase price or prices of the Securities and the proceeds to Northland from the sale of the Securities.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or negotiated prices.

The Prospectus Supplement relating to each offering of Securities will identify each underwriter, dealer, or agent, as the case may be, and will also set forth the terms of that offering of Securities, including the purchase price of such Securities, the proceeds to Northland and any underwriters', dealers' or agents' fees, commission or other such items constituting underwriters', dealers' or agents' compensation. Only underwriters, dealers or agents so named in the applicable Prospectus Supplement are deemed to be underwrites, dealers or agents, as the case may be, in connection with the Securities offered thereby.

Underwriters or dealers who participate in the distribution of Securities may be entitled under agreements to be entered into with Northland to indemnification by Northland against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters or dealers may be required to make in respect thereof. Such underwriters or dealers may be customers of, engage in transactions with, or perform services for, Northland in the ordinary course of business.

In connection with any offering of Securities, the underwriters or dealers may over allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. A purchaser that acquires Securities forming part of an over-allocation position acquires such Securities under this Prospectus.

## **RISK FACTORS**

Prospective investors in a particular offering of the Securities should carefully consider, in addition to information contained in the Prospectus Supplement relating to that offering and the information incorporated by reference herein for the purposes of the offering, the risk factors listed below and risks described in Northland's then current annual information form, as well as Northland's then current annual management's discussion and analysis and interim management's discussion and analysis, if applicable, to the extent incorporated by reference herein for the purposes of that particular offering of Securities.

### **No Market for the Securities**

There is currently no trading market for any Preferred Shares (other than the Series 1 Shares and the Series 3 Shares), Debentures (other than the Series A Debentures and the Series B Debentures) or Subscription Receipts that may be offered. No assurance can be given that an active or liquid trading market for these securities will develop or be sustained. If an active or liquid market for these securities fails to develop or be sustained, the prices at which the securities trade may be adversely affected. Whether or not the securities will trade at lower prices depends on many factors, including liquidity of these securities, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions and Northland's financial condition, historic financial performance and future prospects.

### **Prior Ranking Indebtedness**

The Debentures will be unsecured and will be subordinate to all Senior Indebtedness of Northland. The Debentures will also be effectively subordinate to claims of creditors of Northland and its subsidiaries relating to all indebtedness, liabilities and obligations of Northland or its subsidiaries for the payment of which Northland is responsible, whether absolutely or contingently. The Indenture does not limit the ability of Northland to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions on the Common Shares, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving Northland.

## **LEGAL MATTERS**

Certain legal matters relating to the offering of the Securities will be passed upon by Borden Ladner Gervais LLP with respect to matters on behalf of Northland.

As of April 16, 2014 the partners and associates of Borden Ladner Gervais LLP beneficially owned, directly or indirectly, less than 1% of the outstanding securities of Northland. Linda Bertoldi, a partner of Borden Ladner Gervais LLP, is a Director of Northland. If any underwriters or dealers named in a Prospectus Supplement retained their own counsel to pass upon legal matters relating to the Securities, such counsel will be named in the Prospectus Supplement.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of Northland are Ernst & Young LLP, Chartered Accountants, Toronto, Ontario. To the knowledge of Northland, Ernst & Young LLP is independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

## STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

Original purchasers of Securities which are convertible or exchangeable into other securities of Northland will have a contractual right of rescission against Northland in respect of the conversion or exchange of such convertible or exchangeable Securities. The contractual right of rescission will entitle such original purchasers to receive the amount paid for the applicable convertible or exchangeable Securities upon surrender of the underlying securities issued upon conversion or exchange of such convertible or exchangeable Securities, in the event that this Prospectus, the relevant Prospectus Supplement or an amendment contains a misrepresentation, provided that: (i) the conversion or exchange takes place within 180 days of the date of the purchase of the Securities which are convertible or exchangeable under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the Securities which are convertible or exchangeable under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law. Original purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible or exchangeable securities that were purchased under a prospectus, and therefore a further payment at the time of conversion or exchange may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights, or consult with a legal adviser.

## GLOSSARY OF TERMS

In this Prospectus, the following terms have the meanings set forth below unless otherwise indicated:

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

“**AIF**” means the annual information form of Northland dated February 19, 2014 for the year ended December 31, 2013.

“**Annual Financial Statements**” means the audited consolidated financial statements of Northland for the year ended December 31, 2013, including the consolidated balance sheets as at December 31, 2013 and 2012 and January 1, 2012 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2013 and 2012 and related notes, together with the auditors’ report thereon dated February 19, 2014.

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

“**Board of Directors**” means the board of directors of Northland.

“**Business Day**” means a day other than a Saturday, a Sunday or any other day that is a statutory or civic holiday in the place where Northland has its head office.

“**Class A Shares**” means the Class A shares of Northland.

“**Common Shares**” means the common shares of Northland.

“**Debenture Trustee**” means Computershare Trust Company of Canada in its role as trustee under the Indenture.

“**Debentures**” means debentures of Northland issued pursuant to the Indenture.

“**EBITDA**” means net income before interest expense, income taxes, depreciation and amortization.

“**Event of Default**” has the meaning set out above under “*Description of the Debentures – Event of Default*”.

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

“**Held**” means to beneficially own or have control or direction over.

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

“**Indenture**” means the trust indenture between Northland and the Debenture Trustee dated August 26, 2004, as amended and restated as of October 14, 2009, as supplemented by a first supplemental indenture dated October 15, 2009, as supplemented by a second supplemental indenture dated January 1, 2011, as supplemented by a third supplemental indenture dated March 5, 2014 and as may be further amended, restated and supplemented from time to time.

“**MW**” or “**Megawatt**” means a megawatt, which is 1,000 kilowatts or 1,000,000 watts of electrical energy.

“**North Battleford**” means the 260 MW natural-gas-fired combined-cycle facility in northwest Saskatchewan.

“**Northland**” means Northland Power Inc.

“**Offerings**” has the meaning set out above under “*Recent Developments*”.

“**PPA**” means a power purchase agreement.

“**Preferred Shares**” means the preferred shares of Northland, issuable in a series.

“**Prospectus**” means this short form base shelf prospectus.

“**Prospectus Supplement**” means a supplement to this Prospectus setting forth the specific variable terms of any offering of Securities.

“**Securities**” means, collectively, the Common Shares, Preferred Shares, Debentures and Subscription Receipts of Northland.



“**Senior Indebtedness**” has the meaning set out above under “*Description of the Debentures – Subordination*”.

“**Senior Indebtedness Postponement Provisions**” has the meaning set out above under “*Description of the Debentures – Subordination*”.

“**Series 1 Shares**” means the Cumulative Rate Reset Preferred Shares, Series 1 of Northland.

“**Series 3 Shares**” means the Cumulative Rate Reset Preferred Shares, Series 3 of Northland.

“**Series A Debentures**” means the 6.25% convertible unsecured subordinated debentures, Series A of Northland due December 31, 2014.

“**Series B Debentures**” means the 5.00% convertible unsecured subordinated debentures, Series B of Northland.

“**Subscription Receipts**” means subscription receipts of Northland.

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation.

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

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**CERTIFICATE OF NORTHLAND**

Dated: April 17, 2014

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

**NORTHLAND POWER INC.**

(Signed) JOHN W. BRACE  
Chief Executive Officer

(Signed) PAUL J. BRADLEY  
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) JAMES C. TEMERTY  
Director

(Signed) JOHN N. TURNER  
Director