

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*This short form prospectus 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. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. 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, Suite 1200, Toronto, Ontario, Canada M4V 3A1, Telephone: (647) 288-1438, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue

May 15, 2018



### **NORTHLAND POWER INC.**

**\$1,000,000,000**

**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 \$1,000,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25-month 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

*(continued on next page)*

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 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 Floating Rate Preferred Shares, Series 2 of Northland (the “**Series 2 Shares**”), Cumulative Rate Reset Preferred Shares, Series 3 of Northland (the “**Series 3 Shares**”), the 5.00% convertible unsecured subordinated debentures, Series B of Northland (the “**Series B Debentures**”) and the 4.75% convertible unsecured subordinated debentures, Series C of Northland (the “**Series C Debentures**”) are listed and posted for trading on the Toronto Stock Exchange under the symbols “NPI”, “NPI.PR.A”, “NPI.PR.B”, “NPI.PR.C”, “NPI.DB.B” and “NPI.DB.C”, respectively. **There is currently no market through which the Preferred Shares (other than the Series 1 Shares, the Series 2 Shares and the Series 3 Shares), Debentures (other than the Series B Debentures and the Series C 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 such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities, and the extent of issuer regulation. Prospective investors should review the “Risk Factors” section of this Prospectus and the applicable Prospectus Supplement.**

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

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*”.

Northland’s registered and head office is at 30 St. Clair Avenue West, Suite 1200, 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. Certain capitalized terms and phrases used in this Prospectus are defined in the section entitled "*Glossary*".

## 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, Suite 1200, Toronto, Ontario M4V 3A1, telephone (647) 288-1438, 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 22, 2018 for the year ended December 31, 2017 (the "**AIF**");
- (b) audited consolidated financial statements of Northland for the year ended December 31, 2017, including the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2017 and 2016 and related notes, together with the auditors' report thereon dated February 22, 2018 (the "**Annual Financial Statements**");
- (c) management's discussion and analysis related to the Annual Financial Statements (the "**MD&A**");
- (d) unaudited interim condensed consolidated financial statements of Northland for the three months ended March 31, 2018, including the interim condensed consolidated balance sheets as at March 31, 2018 and 2017 and the interim condensed consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the three months ended March 31, 2018 and 2017 and related notes (the "**Interim Financial Statements**");
- (e) management's discussion and analysis dated May 9, 2018 related to the Interim Financial Statements; and
- (f) management information circular dated April 16, 2018 prepared in connection with the annual meeting of shareholders to be held on May 23, 2018.

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 that 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," "results of litigation and arbitration," "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, free cash flows, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; the resolution of arbitration or litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are 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 and 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, natural events, construction risks, counterparty risks, operational risks, risks relating to co-ownership, the variability of revenue from generating facilities powered by intermittent renewable resources, power market risks and possible inflation risks and the other factors described in the "*Risks and Uncertainties*" section of Northland's 2017 Annual Report and the "*Risk Factors*" section of the AIF, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) under Northland's profile and on Northland's website at [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 the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow and applicable payout ratio and per share amounts, measures not prescribed by International Financial Reporting Standards ("**IFRS**") and therefore, do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income (loss), 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, free cash flow and applicable payout ratio and per share amounts are widely accepted financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. Readers should refer to following sections of the MD&A: (i) Section 1: *Overview*, for an explanation of adjusted EBITDA and free cash flow; (ii) Section 5.4: *Adjusted EBITDA*, for a reconciliation of consolidated net income (loss) under IFRS to adjusted EBITDA; and (iii) Section 5.5: *Free Cash Flow*, for a reconciliation of cash provided by operating activities under IFRS to Northland's reported free cash flow.

## NORTHLAND

Northland is incorporated under the *Business Corporations Act* (Ontario) and has its registered and head office at 30 St. Clair Avenue West, Suite 1200, Toronto, Ontario, Canada M4V 3A1.

Northland's business strategy is based on providing a balance of stability and growth to investors. Northland's objective is to maximize long-term shareholder value by providing investors with stable and sustainable dividends and pursuing measured growth. Northland aims to achieve this objective in the independent power industry by expertly managing a robust development pipeline along with effectively managing projects from inception throughout their complete lifecycle, from development, to financing, to construction and to long-term operations.

Northland has been delivering on customers' needs for energy since 1987 by developing, building, owning and operating clean (natural gas) and green (wind, solar and biomass) power projects. Northland has developed or acquired a diversified portfolio of power generation facilities in Canada and Europe that produce long-term stable cash flows, allowing Northland to declare uninterrupted regular dividends to shareholders since becoming publicly traded in 1997.

## SUMMARY DESCRIPTION OF NORTHLAND'S BUSINESS

Northland operates, develops and constructs projects across a range of clean and green technologies, such as wind (offshore and on-shore), thermal (natural-gas-fired and biomass) and solar. Clean-burning natural-gas-fired plants provide reliable baseload and dispatchable power, grid support and backup for renewable generation as needed by the customer. Northland remains focused on pursuing growth in North America, Europe and Asia, in addition to other jurisdictions that meet Northland's risk management criteria. Northland manages its development processes prudently by regularly balancing costs and risks against the probability of success.

As at December 31, 2017, Northland owns or had an economic interest in power producing facilities with a total net capacity of approximately 2,029 megawatts. Northland's operating assets comprise facilities that produce electricity from natural gas and renewable sources for sale under PPAs or other revenue arrangements with creditworthy customers, typically government-backed power offtakes or agencies. PPAs define the revenue parameters of a facility and are the primary contributor to providing stable cash flow. PPA terms are typically for ten

to 20 years, during which time the PPA counterparty will purchase electricity and electricity related products from the project. Northland's operating cash flows are diversified over five geographically separate regions and regulatory regimes.

As of the date of this Prospectus, Northland has 252 megawatts of generating capacity under construction, comprised of the Deutsche Bucht Offshore Wind Project located in the North Sea in German territorial waters. Northland expects that this project will be completed by the end of 2019.

### **USE OF PROCEEDS**

The Securities will be offered from time to time at the discretion of Northland in an aggregate principal amount of up to \$1,000,000,000 in Canadian currency, or the approximate equivalent thereof if Securities are issued in foreign currencies or currency units, during the 25-month period that this Prospectus remains valid. 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**

There have been no material changes in Northland's share and loan capital, on a consolidated basis, since March 31, 2018.

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

Earnings Coverage Ratios will be provided with respect to the issuance of any Securities, as required, in the Prospectus Supplement pursuant to which such Securities are issued.

### **RATINGS**

Northland's corporate rating as rated by Standard & Poor's credit rating agency is currently BBB Stable. In addition, the ratings in respect of Northland's issued and outstanding Preferred Shares and unsecured debt on Standard & Poor's global scale and Canada scale are BB+ and P-3 (high), respectively. A Standard & Poor's issuer credit rating is a forward-looking opinion of Standard & Poor's 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 published rating methodology, 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 than companies with higher ratings. A Standard & Poor's rating outlook assesses their opinion on 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 according to their current methodology, a rating is not likely to change. A change in a credit rating by Standard & Poor's may or may not be reflective of an actual change in creditworthiness of the obligor.

The Series 1 Shares, Series 2 Shares and Series 3 Shares have each been given a Canadian scale rating of P-3 (high) by Standard & Poor's. Such P-3 (high) rating is the ninth 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 Shares, the Series 2 Shares and the Series 3 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 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>
<u>2017</u>			
May	24.45	22.85	6,302,198
June	24.30	22.68	6,488,002
July	23.70	22.10	4,995,856
August	24.66	21.78	7,045,589
September	24.02	22.81	5,022,506
October	24.72	22.96	4,952,709
November	24.76	23.56	4,694,792
December	24.06	23.06	3,516,940

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2018</u></b>			
January	23.64	22.75	6,024,800
February	22.83	21.35	5,837,033
March	23.18	21.54	7,088,920
April	23.52	22.64	3,973,759
May (1-14)	24.59	23.00	5,055,005

### Preferred Shares

The outstanding Series 1 Shares 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 Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2017</u></b>			
May	19.22	18.59	75,110
June	19.30	18.26	102,597
July	19.34	18.75	152,925
August	19.41	18.85	141,031
September	19.32	18.91	132,786
October	19.66	19.20	33,203
November	19.68	19.03	89,270
December	19.26	18.84	48,451
<b><u>2018</u></b>			
January	20.05	19.07	66,619
February	20.05	19.70	36,827
March	19.87	19.05	35,955
April	19.78	19.15	44,913
May (1-14)	19.70	19.30	19,873

The outstanding Series 2 Shares are listed and posted for trading on the TSX under the trading symbol “NPI.PR.B”. The following table sets forth, for the period indicated, the monthly high and low trading prices and the trading volumes of the Series 2 Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2017</u></b>			
May	19.20	18.00	52,981
June	18.84	18.09	13,454
July	19.10	18.67	12,004
August	19.02	18.50	19,260
September	19.35	18.65	19,882
October	19.75	19.00	23,132
November	19.26	19.00	38,607
December	19.25	18.78	23,177
<b><u>2018</u></b>			
January	20.63	19.15	42,468
February	20.65	20.07	32,622
March	20.27	19.46	17,501
April	19.89	19.45	18,506
May (1-14)	20.01	19.51	22,600

The outstanding Series 3 Shares 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 Shares as reported by the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2017</u></b>			
May	23.52	22.80	56,223
June	23.50	22.25	215,467
July	23.62	23.22	72,673
August	23.65	23.11	54,579
September	24.16	23.30	54,108
October	24.61	24.02	58,281
November	24.76	24.25	51,010
December	24.64	24.15	208,569
<b><u>2018</u></b>			
January	24.79	24.30	106,472
February	24.75	24.22	40,019
March	24.725	24.00	41,124
April	24.59	23.90	30,631
May (1-14)	24.60	24.06	18,266

## Debentures

The outstanding Series B Debentures 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, 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><u>2017</u></b>			
May	116.00	112.95	1,171,000
June	114.12	110.50	777,000
July	114.50	110.02	2,089,000
August	117.00	110.00	671,000
September	114.00	110.75	832,000
October	115.75	110.25	800,000
November	115.94	113.01	124,000
December	113.25	110.00	740,000
<b><u>2018</u></b>			
January	112.00	107.50	614,000
February	108.33	103.25	505,000
March	109.50	105.00	1,113,000
April	109.50	106.90	351,000
May (1-14)	113.50	108.00	5,218,000

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

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b><u>2017</u></b>			
May	116.26	113.29	3,406,000
June	115.20	112.00	3,284,000
July	114.73	111.00	6,712,000
August	117.10	112.00	854,000
September	115.00	111.78	6,064,000
October	118.74	111.50	787,000
November	117.25	113.85	1,432,000
December	114.00	112.00	331,000

<u>Month</u> <u>2018</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January	113.00	109.01	1,451,000
February	130.00	106.21	823,000
March	111.96	106.00	1,628,000
April	112.13	108.86	2,060,000
May (1-14)	116.50	110.00	1,977,000

## **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, Series 2 Shares and the Series 3 Shares), Debentures (other than the Series B Debentures and the Series C Debentures) or Subscription Receipts that may be offered. No assurance can be given that an active or liquid trading market for such Securities will develop or be sustained. If an active or liquid market for such Securities fails to develop or be sustained, the prices at which such Securities trade may be adversely affected. Whether or not such Securities will trade at lower prices depends on many factors, including liquidity of such 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 at May 14, 2018, 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 retain 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 Chartered Professional Accountants of Ontario (registered name 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

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

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

“**adjusted EBITDA**” means adjusted earnings before interest, income taxes, depreciation and amortization.

“**AIF**” means the annual information form of Northland dated February 22, 2018 for the year ended December 31, 2017.

“**Annual Financial Statements**” means the audited consolidated financial statements of Northland for the year ended December 31, 2017, including the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2017 and 2016 and related notes, together with the auditors’ report thereon dated February 22, 2018.

“**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.

“**Debentureholders**” means holders of Debentures.

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

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

“**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, as supplemented by a fourth supplemental indenture dated January 22, 2015 and as may be further amended, restated and supplemented from time to time.

“**Interim Financial Statements**” means the unaudited interim condensed consolidated financial statements of Northland for the three months ended March 31, 2018, including the interim condensed consolidated balance sheets as at March 31, 2018 and 2017 and the interim condensed consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the three months ended March 31, 2018 and 2017 and related notes.

“**MD&A**” means Northland’s management discussion and analysis related to the Annual Financial Statements.

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

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

“**Preferred Shares**” means the preferred shares of Northland, issuable in 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 2 Shares”** means the Cumulative Floating Rate Preferred Shares, Series 2 of Northland.

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

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

**“Series C Debentures”** means the 4.75% unsecured subordinated debentures, Series C of Northland.

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

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

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

**CERTIFICATE OF NORTHLAND**

Dated: May 15, 2018

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