



**NORTHLAND POWER
INCOME FUND**

NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD MAY 26, 2000

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Unitholders of Northland Power Income Fund (the "Fund") will be held in the MacDonald Room, Board of Trade of Metropolitan Toronto, First Canadian Place, Main Level, Toronto, Ontario (enter via Adelaide Street), on Friday, May 26, 2000 at 11:00 a.m. (Toronto time) for the following purposes:

1. to receive and consider the financial statements of the Fund for the fiscal year ended December 31, 1999, together with the report of the auditors thereon;
2. to elect the Fund's nominees to the board of directors of Iroquois Falls Power Corp., the Fund's subsidiary;
3. to re-appoint the incumbent auditors of the Fund;
4. to consider and, if thought fit, pass the special resolution attached as Schedule "A" to the accompanying Management Information Circular;
5. to consider and, if thought fit, pass the special resolution attached as Schedule "B" to the accompanying Management Information Circular;
6. to consider and, if thought fit, pass the special resolution attached as Schedule "C" to the accompanying Management Information Circular;
7. to consider and, if thought fit, pass the special resolution attached as Schedule "D" to the accompanying Management Information Circular; and
8. to transact such further or other business as may properly come before the meeting or any adjournment thereof.

A copy of the Management Information Circular and a form of proxy for use at the meeting accompanies this notice. In addition, the financial statements of the Fund for the fiscal year ended December 31, 1999 and the report of the auditors thereon are enclosed.

Holders of units of the Fund are entitled to vote at the meeting either in person or by proxy. If you do not intend to attend the meeting in person, please exercise your right to vote by completing and signing the enclosed form of proxy and returning it by mail or delivery to the registered office of the Fund or by mailing it to Montreal Trust Company of Canada, Proxy Department, 151 Front Street West, 8th Floor, M5J 2N1 or by delivering it to Montreal Trust Company of Canada, Proxy Department, 151 Front Street West, 8th Floor, M5J 2N1. **Proxies to be used at the meeting must be deposited with the Fund or received by Montreal Trust Company of Canada at least 48 hours preceding the time of the meeting.**

DATED at Toronto, Ontario, the 10th day of March, 2000

ON BEHALF OF IROQUOIS FALLS POWER MANAGEMENT INC.,
MANAGER OF THE FUND

James C. Temerty
President

NORTHLAND POWER INCOME FUND
30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A2

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by Iroquois Falls Power Management Inc. (the "Manager") on behalf of Montreal Trust Company of Canada (the "Trustee") for the Annual and Special Meeting (the "Meeting") of the unitholders (the "Unitholders") of Northland Power Income Fund (the "Fund") to be held in the MacDonald Room, Board of Trade of Metropolitan Toronto, First Canadian Place, Main Level, Toronto, Ontario, on Friday, May 26, 2000, at 11:00 a.m. Toronto time. Except where otherwise indicated, this Management Information Circular contains information as of the close of business on March 10, 2000. The solicitation will be made primarily by mail, supplemented possibly by telephone or other personal contact by regular employees of the Manager. The cost of the solicitation by the Manager will be borne by the Fund.

APPOINTMENT, TIME FOR DEPOSIT AND REVOCABILITY OF PROXY

The persons named in the enclosed Form of Proxy are officers of the Manager. **Unitholders or intermediaries holding units on behalf of a beneficial Unitholder desiring to appoint some other person (who need not be a Unitholder of the Fund) to represent him or her at the Meeting may do so by inserting such person's name in the blank space provided in the Form of Proxy and striking out the names of the persons specified, or by completing another proper Form of Proxy.** A Proxy to be used at the Meeting must be delivered or mailed to the registered office of the Fund or to Montreal Trust Company of Canada (the "TrustCo"), Proxy Department, 151 Front Street West, 8th Floor, Toronto, Ontario, M5J 2N1 and received at least 48 hours preceding the time of the Meeting. A Unitholder who has given a Proxy may revoke the Proxy by an instrument in writing executed by the Unitholder or by his or her attorney authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at such office of the TrustCo or the registered office of the Fund, at any time up to 48 hours preceding the time of the Meeting, or any adjournment thereof, at which the Proxy is to be used or in any other manner permitted by law.

EXERCISE OF DISCRETION BY HOLDERS OF PROXIES

The Form of Proxy forwarded to Unitholders with the Notice of Meeting and this Management Information Circular provides the Unitholder with an opportunity to specify that the Units registered in his or her name shall be voted or withheld from voting in respect of certain of the matters to be considered at the Meeting. On any ballot that may be called for, the Units represented by proxies in favour of the Manager's nominees will be voted for or withheld from voting in respect of the election of the nominees of the Fund to the Board of Directors of Iroquois Falls Power Corp. located at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A2 ("IFPC") and the reappointment of Ernst & Young LLP as auditors of the Fund, in each case in accordance with the specifications made by Unitholders in the manner referred to above, and will be voted for or voted against the Special Resolutions (as defined below). **In respect of proxies in which Unitholders have not specified the manner of voting, the Units represented by proxies in favour of the persons named in the enclosed Form of Proxy will be VOTED in favour of the election of the persons listed in this Management Information Circular as the nominees of the Fund as directors of IFPC and the reappointment of Ernst & Young LLP as auditors of the Fund and will be VOTED FOR the Special Resolutions.**

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

VOTING SECURITIES

As of the close of business on March 10, 2000 the Fund had outstanding 30,823,443 trust units (“Units”) each of which carries the right to one vote at meetings of the Unitholders.

The directors of IFPC have fixed a record date of April 14, 2000 (the “Record Date”) for the purpose of determining Unitholders entitled to receive notice of the Meeting. Only persons registered as Unitholders on the books of the Fund as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting. The failure of any Unitholder to receive notice of the Meeting does not deprive the Unitholder of the right to vote at the Meeting.

Except for the Special Resolutions (as defined below), approval of any matter at the Meeting requires a majority of the votes cast at the Meeting on the question. As noted below, approval for each of the the Special Resolutions will require a majority of not less than 66 2/3% of the votes cast at the Meeting on the Special Resolution.

VOTING OF UNITS - ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to the public Unitholders of the Fund, as none of the public Unitholders (“Beneficial Unitholders”) of the Fund hold Units in their own name. Beneficial Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Fund as the registered holders of Units can be recognized and acted upon at the Meeting. All of the Units are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited (“CDS”). CDS maintains books showing through which of its participants, such as investment dealers or brokers, the Units are owned. Investment dealers and brokers maintain their own records showing the Beneficial Unitholders of such Units by their clients. Units held by CDS can be voted only upon the instructions of the Beneficial Unitholder. Without specific instructions, CDS and its participants are prohibited from voting Units for their clients. The Manager does not know for whose benefit the Units registered in the names of CDS are held. Therefore, Beneficial Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of proxy unless they comply with the procedure designated below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Unitholders in advance of Unitholder’s meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Unitholder by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing CDS how to vote on behalf of the Beneficial Unitholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Independent Investor Communications Corporation (“IICC”). IICC typically prepares a voting instruction form (the “Voting Form”) which it mails to the Beneficial Unitholders and asks Beneficial Unitholders to return the Voting Form directly to IICC. IICC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. A Beneficial Unitholder receiving a Voting Form cannot use that Voting Form to vote Units directly at the Meeting, the Voting Form must be returned to IICC well in advance of the Meeting in order to have the Units voted.

IF YOU ARE A UNITHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.

PRINCIPAL HOLDERS OF VOTING UNITS

As of the close of business on March 10, 2000, all of the Units were registered in the name of CDS & Co., which holds such Units on behalf of the Beneficial Unitholders. To the knowledge of the Manager, no person or corporation owns beneficially, directly or indirectly, more than 10% of the issued Units of the Fund.

ELECTION OF NOMINEES TO THE BOARD OF IFPC

The articles of IFPC provide for a minimum of one and a maximum of ten directors and the present number of directors is five. Pursuant to a unanimous shareholders’ agreement (the “USA”) amongst the Fund, the Manager and IFPC, the Fund agreed that the number of directors of IFPC would be five. Two of the directors are nominees of the Manager. The Manager has nominated Mr. Temerty and Mr. Gloutney. Three of the directors are nominees of the Fund and shall be independent of the Manager and those directors independent of the Manager are currently Messrs. Moysey, Rounthwaite and Turner. The supplemental and restat-

ed trust indenture dated April 15, 1997 (the “Trust Indenture”) which governs the Fund provides that the nominees to the Board of Directors of IFPC are to be selected by the Fund and elected by the Unitholders. In accordance with the Trust Indenture, the directors of IFPC who are currently nominees of the Fund have nominated Messrs. Moysey, Rounthwaite and Turner to be the nominees of the Fund to be elected to the Board of Directors of IFPC. It is proposed that each of the persons whose names appear below be elected as a director of IFPC to serve until the close of the next Annual Meeting of IFPC or until his successor is elected or appointed. Units represented by proxies in favour of the individuals named in the enclosed Form of Proxy will be voted in favour of the election of Messrs. Moysey, Rounthwaite and Turner as the nominees of the Fund as directors of IFPC, unless a Unitholder has specified in his or her Proxy that his or her Units are to be withheld from voting in the election of directors. The Manager does not contemplate that any of the said nominees will be unable to serve as a director, but should that occur prior to the Meeting, the persons named in the enclosed Form of Proxy will vote for another nominee of the current independent directors of IFPC in their discretion.

The table below shows the names and municipalities of residence of all persons nominated at the Meeting for election as directors of IFPC and those persons nominated by the Manager, the number of issued Units owned beneficially, directly or indirectly, by them, or over which they exercise control or direction, their principal occupations, and the year they first became directors of IFPC.

| Name and Municipality of Residence | Positions and Offices held with IFPC | Principal Occupation | Year Became Director | Number of Units Beneficially Owned Directly or Indirectly⁽¹⁾ |
|---|---|---|-----------------------------|--|
| James C. Temerty⁽³⁾ Toronto, Ontario | President and Director | President of Northland Power Inc. (the parent company of the Manager) and its predecessor | 1997 | 1,002,300 ⁽⁴⁾ |
| Pierre R. Gloutney^{(2),(3)} Terrasse Vaudreuil, Quebec | Director | President and Chief Executive Officer, Refco Futures (Canada) Ltd. | 1997 | 10,000 |
| A. Warren Moysey⁽²⁾ Toronto, Ontario | Director | Company Director. Prior to October 1996, Chairman and Director, C.I. Fund Management Inc. | 1997 | 1,000 |
| F. David Rounthwaite⁽²⁾ Toronto, Ontario | Director | Partner, McCarthy Tetrault (law firm) | 1997 | 200 |
| The Right Honourable John N. Turner, Q.C. Toronto, Ontario | Director | Partner, Miller Thomson (law firm) | 1997 | NIL |

- Notes: 1) This information, not being within the knowledge of the Manager, has been furnished by the respective directors individually.
2) Member of the Audit Committee of IFPC.
3) Nominee of the Manager.
4) Of these 1,002,300 Units, 654,900 Units are held directly by Mr. Temerty and 347,400 Units are held by the Temerty Family Foundation which Mr. Temerty directs.

Compensation of Directors of IFPC

Directors of IFPC receive an annual fee of \$15,000 per director plus \$1,000 in respect of each directors’ meeting attended in person or \$250 by telephone and \$500 for each committee meeting attended in person or by telephone. The chair of the Audit Committee receives an additional \$3,000 annually for serving in that capacity. All directors are reimbursed for their respective out-of-pocket expenses in relation to their attendance at directors’ and committee meetings. Directors of IFPC, in such capacity, receive no other compensation from the Fund or IFPC. The officers and director of the Manager receive no compensation from the Fund or IFPC for service in that capacity.

INDEBTEDNESS OF EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of IFPC and the Manager and their associates did not have any indebtedness to the Fund or IFPC in respect of the financial year ended December 31, 1999. Neither the Fund nor IFPC has guaranteed any indebtedness of any such persons.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Toronto Stock Exchange requires every listed company incorporated in Canada to disclose on an annual basis its approach to corporate governance with reference to the guidelines (the “TSE Guidelines”) adopted by the Exchange. The Manager considers that the Fund and IFPC have conformed to the TSE Guidelines to the extent consistent with the structure of the Fund and IFPC and the terms of the Trust Indenture and the agreements to which the Fund and IFPC are parties.

The Manager manages all aspects of the operation, maintenance, management and gas supply management of the Iroquois Falls Cogeneration Facility (the “Facility”), owned by the Fund and leased to IFPC, pursuant to the management agreement between IFPC and the Manager, made as of April 15, 1997, as amended (the “Management Agreement”). Pursuant to the Management Agreement, the Manager has agreed to render advice and management services to IFPC in connection with its respective day-to-day operations in a manner consistent with the policies determined from time to time by the directors of IFPC.

The composition of the Board of Directors of IFPC is prescribed by the USA. The USA provides that IFPC shall have five directors, two of whom shall be nominees of the Manager and three of whom shall be nominees of the Fund elected by the Unitholders. A majority of the Board of Directors of IFPC namely, Messrs. Gloutney, Moysey, Rounthwaite and Turner, are unrelated and independent directors. As a result, the composition of the Board of Directors of IFPC conforms to the TSE Guidelines.

As a result of the provisions of the USA and the Trust Indenture, the TSE Guidelines which require that a committee be appointed to propose new nominees are inapplicable unless a nominee to the Board of Directors of IFPC previously confirmed by Unitholders should resign. There are no formal education programs for new directors but the Manager provides such orientation and information as individual directors may request. As the USA provides for a Board of Directors for IFPC of five members, the TSE Guidelines requiring that boards of directors consider a reduction in their size are also inapplicable.

In view of the size of the Board of Directors of IFPC and the provisions of the Administration Agreement (described below) and Management Agreement which establish the role of the Manager as manager of the Facility, administrator of the Fund and IFPC and delegate of the Trustee, the directors of IFPC have not established a separate committee for corporate governance or compensation which matters are dealt with by the entire Board of Directors. The directors of IFPC have established an Audit Committee composed of Messrs. Gloutney, Moysey and Rounthwaite, all of whom are unrelated to the Manager, which is consistent with the TSE Guidelines. The Audit Committee of IFPC meets with the Manager to discuss internal controls, financial reporting issues and auditing matters related to IFPC.

The Management Agreement provides for the appointment of an arbitrator where a dispute arises as to whether the Manager is in default under the Management Agreement or with respect to the calculation of any management incentive fee payable to the Manager. The Management Agreement also contemplates that the directors of IFPC may engage outside advisors in certain circumstances which is also consistent with the TSE Guidelines.

There are no directors of the Fund itself and management and administration of the Fund is performed by the Manager as the delegate of the Trustee under the Trust Indenture and the administration agreement made as of April 15, 1997 (the “Administration Agreement”) amongst the Fund, IFPC and the Manager. The directors of IFPC advise the Manager in respect of certain of the Manager’s functions in relation to the Fund. The Trust Indenture requires Unitholder approval before any fundamental change can be made in the business of the Fund or in the structure of the Fund or IFPC. Unitholder approval is also required before any change is made to the rights of the Unitholders.

AUDITORS

It is intended that the Units represented by proxies in favour of the persons shown in the enclosed Form of Proxy will be voted in favour of the re-appointment of Ernst & Young LLP, Chartered Accountants, of Toronto, Ontario, as auditors of the Fund, unless a Unitholder has specified in his or her Proxy that his or her Units are to be withheld from voting in the appointment of auditors. Ernst & Young LLP were first appointed auditors of the Fund on April 3, 1997.

MANAGEMENT AGREEMENT

In consideration for the services provided by the Manager under the Management Agreement, IFPC has agreed to pay to the Manager a monthly fee of 1/12 of \$460,000 adjusted annually with changes to the Consumer Price Index and certain incentive fees if applicable. During the period from January 1, 1999 to December 31, 1999, IFPC paid the Manager a total of \$469,000 for the services provided under the Management Agreement and has accrued an incentive fee of \$75,000. The Manager’s address is 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A2. No compensation is payable to the Manager under the Administration Agreement.

PROPOSED AMENDMENTS TO THE TRUST INDENTURE

The Fund is an investment trust established under the laws of the Province of Ontario to acquire and hold the Facility through the ownership of certain generating assets which are leased to IFPC and the shares and debt of IFPC, an Ontario corporation. The Fund is administered by the Manager which also manages the Facility and IFPC.

Unitholders are being asked to consider, and if thought advisable, to pass Special Resolutions to amend the Trust Indenture to: (i) permit equalized monthly distributions (rather than quarterly) thereby levelizing distributions throughout the year, (ii) permit non-Canadian investments and acquisitions and establish certain criteria for the approval of Permitted Acquisitions by the Board of IFPC, (iii) permit purchases of outstanding Trust Units in compliance with The Toronto Stock Exchange's rules and procedures for normal course issuer bids, and (iv) permit borrowings by the Fund to finance such purchases. Capitalized terms used but not defined in this section of the circular and in Schedules "A", "B", "C" and "D" have the meanings ascribed to them in the Trust Indenture. A copy of the Trust Indenture is available from the Manager.

1) Distributions and Levelization

The Manager and the IFPC Directors are proposing that the Unitholders consider, and if thought advisable, pass the Special Resolution set out in Schedule "A" amending the Trust Indenture to provide for monthly distributions, rather than quarterly distributions, which will be levelized throughout the year. At the time the Fund was created, quarterly distributions were the norm for income trust funds. The Fund's distributions have reflected the seasonality in the Fund's revenues (i.e., revenues are higher in the winter months when electricity sales are higher). A number of royalty trusts provide for monthly as opposed to quarterly distributions and such distributions have been set at the same approximate amount (i.e., "levelized") each month. The Manager and the IFPC Directors believe that equalized monthly distributions will benefit investors who require regular, predictable monthly investment income. These amendments are intended to increase the attractiveness of the Fund's units to current and future Unitholders.

2) Permitted Acquisitions

The Manager and the IFPC Directors are proposing that the Unitholders consider, and if thought advisable, pass the Special Resolution set out in Schedule "B" amending the definition of "Permitted Acquisition" under the Trust Indenture in two ways: (i) to permit Permitted Acquisitions outside of Canada and (ii) to provide investment and acquisition guideline criteria for the Manager and the IFPC Directors in assessing any possible Permitted Acquisition. A consequential amendment also needs to be made to the Trust Indenture's investment restrictions.

i) Non-Canadian Permitted Acquisitions

At last year's annual meeting, Unitholders approved an amendment to the Trust Indenture authorizing the Fund to make certain types of Permitted Acquisitions on the recommendation of the Manager and with the approval of the IFPC Directors. One of the authorized types of Permitted Acquisitions was "property used for the generation, transmission or distribution of electricity or other forms of energy in Canada." The Manager and the IFPC Directors are proposing that both the restriction that such Permitted Acquisitions be in Canada and the limitation in the Trust Indenture's investment restrictions prohibiting the Fund from acquiring "foreign property" be removed thereby permitting the Fund to make appropriate Permitted Acquisitions outside of Canada. The Manager frequently becomes aware of potential opportunities that arise in the United States of America or elsewhere in the world and believes that it is in the best interests of the Fund and Unitholders that the Fund be able to pursue such Permitted Acquisitions where investigation shows that the acquisition is warranted.

ii) Investments and Acquisitions Criteria

In order to assist the Manager and the IFPC Directors in assessing whether or not to pursue any possible Permitted Acquisitions, the Manager and the IFPC Directors believe that it is useful for the Unitholders to approve a set of investment and acquisition guidelines. Accordingly, the Manager and the IFPC Directors are recommending the acquisition guidelines forming Schedule 2 as included in Schedule "B".

3) Normal Course Issuer Bids

The Manager and the IFPC Directors are proposing that the Unitholders consider, and if thought advisable, pass the Special Resolution set out in Schedule "C" amending the Trust Indenture to permit the Fund to make normal course issuer bids in accordance with the rules and procedures of The Toronto Stock Exchange.

Securities legislation and the rules of The Toronto Stock Exchange permit issuers, following the publication of notice in the prescribed form, to purchase their own securities in the normal course through the facilities of The Toronto Stock Exchange

provided that the aggregate number of securities acquired within a twelve month period does not exceed 5 per cent of the number of securities of that class issued and outstanding at the commencement of the period. The purpose of this provision is to permit issuers, who believe that their securities are undervalued by the market, to make limited purchases of those securities, thereby increasing demand and firming the market price of those securities. In addition, this provision may be used by issuers who wish to acquire securities of their own issue on behalf of participants in a distribution re-investment plan established by the issuer.

There are two reasons why the Manager and the IFPC Directors are asking the Unitholders to consider providing the Fund with the authority to undertake a normal course issuer bid. First, the Manager and the IFPC Directors believe that it is worthwhile to explore the possibility of establishing a distribution reinvestment plan pursuant to which Unitholders would be able to reinvest the distributions they receive in Units of the Fund purchased on their behalf in the market. At present, while the Trust Indenture does not preclude the establishment of such a plan, it does not permit the Fund to purchase Units in the market. Secondly, the Manager and the IFPC Directors consider that it will be of benefit to the remaining Unitholders to permit the Fund to effect a normal course issuer bid when the market does not, in the view of the Manager and the IFPC Directors, reflect the intrinsic value of the Units.

Neither the Manager nor the IFPC Directors have determined to effect a normal course issuer bid for Units or to create a distribution reinvestment plan. Even if the Special Resolution set forth in Schedule "C" is adopted, there is no guarantee that any such plan will be created or that normal course issuer bids will be effected. Nevertheless, given that other changes to the Trust Indenture are currently being proposed, the Manager and the IFPC Directors believe it is in the best interests of the Fund and the Unitholders to provide at this time for the flexibility required to permit the Fund to proceed with a normal course issuer bid.

4) Permitted Borrowings

The Manager and the IFPC Directors are proposing that the Unitholders consider, and if thought advisable, pass the Special Resolution set out in Schedule "D" to amend the definition in the Trust Indenture of "Permitted Borrowings" to permit the Fund to borrow, if deemed appropriate, to finance a normal course issuer bid. In addition, the Special Resolution set out in Schedule "D" allows for the Fund to grant security on its assets with respect to Permitted Borrowings.

At last year's annual meeting, Unitholders approved an amendment to the Trust Indenture to permit Permitted Borrowings in connection with Permitted Acquisitions or the expansion or upgrade of the Fund's existing facilities or assets. If the Special Resolution set forth in Schedule "C" permitting normal course issuer bids is passed and if the Manager and the IFPC Directors determine that it is appropriate at a particular time to undertake a normal course issuer bid because the market is not reflecting the intrinsic value of the Units, it may be necessary for the Fund to borrow in order to fund the normal course issuer bid. The proposed amendment to the Trust Indenture would permit this to occur. As noted above, no decision has been made as of this time to proceed with any normal course issuer bid and the proposed amendment is merely providing the Fund with the flexibility to do so. Further, in connection with a Permitted Borrowing, whether in connection with a Permitted Acquisition, an expansion or upgrade of existing facilities or a normal course issuer bid (if the Special Resolution set forth in Schedule "C" is passed), it may be necessary for the Fund to provide security to the lender(s) in order to obtain the necessary financing. The Special Resolution set forth in Schedule "D" permits the Fund to grant security in such cases. Accordingly, the Manager and IFPC Directors believe that it is in the best interests of the Fund and the Unitholders for the Special Resolution set forth in Schedule "D" to be adopted.

5) Required Approval

In order to be adopted, each of the Special Resolutions set out in Schedules "A", "B", "C" and "D" will require a majority of not less than 66 2/3% of the votes cast on the Special Resolution at the Meeting.

DIRECTOR APPROVAL

The contents and the distribution of this Management Information Circular have been approved by the Director of the Manager on behalf of the Fund.

DATED at Toronto, Ontario, this 10th day of March, 2000.



James C. Temerty

President

Iroquois Falls Power Management Inc.



NORTHLAND POWER INCOME FUND

SCHEDULE "A"

RESOLVED as a special resolution that the Supplemental and Restated Trust Indenture between Northland Power Inc. and Montreal Trust Company of Canada, made April 15, 1997, as amended (the "Trust Indenture") be and is hereby amended as follows:

Section 1.1 of the Trust Indenture is amended by deleting the definition for Cash Distribution Date and replacing it with the following:

"Cash Distribution Date" shall mean the date Distributable Cash Flow will be paid to Unitholders, being on or about January 15, April 15, July 15 and October 15 of each year from the date of this Trust Indenture until August 15, 2000 and after August 15, 2000 being on or about the 15th day of each month thereafter.

Section 7.2 of the Trust Indenture is deleted and replaced with the following

"Section 7.2 Regular Distributions.

- (a) Commencing with the calendar quarter from the date of this Trust Indenture to June 30, 1997 and for each calendar quarter thereafter until the quarter ending June 30, 2000, the Trustee shall declare and credit as immediately due and payable to each Unitholder of record as of 5:00 p.m. (Toronto time) on the last Business Day of such quarter (between April 15, 1997 and June 30, 2000, the "Record Date") his or her *pro rata* share of Distributable Cash Flow per Trust Unit for such calendar quarter.
- (b) Effective as of August 2000 and for each month thereafter, the Trustee shall declare and credit as immediately due and payable to each Unitholder of record as of 5:00 p.m. (Toronto time) on the last Business Day of such month (on and after August 1, 2000, the "Record Date") 1/12th of his or her *pro rata* share of Distributable Cash Flow per Trust Unit for the calendar year as estimated by the Manager. If the amount declared and paid as distributions per Trust Unit on the basis of the estimate by the Manager of the Distributable Cash Flow per Trust Unit exceeds the actual amount of Distributable Cash Flow per Trust Unit for the calendar year, in estimating the Distributable Cash Flow per Trust Unit for the next succeeding calendar year the Manager shall deduct the amount of the excess from what it would otherwise estimate and, for purposes of making the similar adjustment with respect to such next succeeding calendar year, the amount of the excess shall be deducted in calculating the actual Distributable Cash Flow per Trust Unit for such next succeeding calendar year. If the amount declared and paid as distributions per Trust Unit on the basis of the estimate by the Manager of the Distributable Cash Flow per Trust Unit is less than the actual amount of Distributable Cash Flow per Trust Unit for the calendar year, in estimating the Distributable Cash Flow per Trust Unit for the next succeeding calendar year the Manager shall add the amount of the deficit to what it would otherwise estimate and, for purposes of making the similar adjustment with respect to such next succeeding calendar year, the amount of the deficit shall be added in calculating the actual Distributable Cash Flow per Trust Unit for such next succeeding calendar year.
- (c) Distributions of Distributable Cash Flow will be paid on each Cash Distribution Date out of the net income, net realized capital gains or capital of the Fund in such amount per Trust Unit as the Trustee may determine at the end of each calendar year. The net income and net realized capital gains of the Fund for each calendar year, to the extent such net income and net realized capital gains do not exceed Distributable Cash Flow for the calendar year, shall be allocated to each person who was a Unitholder at any time in the calendar year, in proportion to the amount of Distributable Cash Flow in respect of the calendar year that was paid or became payable to such person during the calendar year.



**NORTHLAND POWER
INCOME FUND**

SCHEDULE "B"

RESOLVED as a special resolution that the Supplemental and Restated Trust Indenture between Northland Power Inc. and Montreal Trust Company of Canada, made April 15, 1997, as amended (the "Trust Indenture") be and is hereby amended as follows:

Section 1.1 of the Trust Indenture is amended by deleting the definition of "Permitted Acquisition" and replacing it with the following:

"Permitted Acquisition" means an acquisition which has been recommended by the Manager and approved by the IFPC Directors whereby the Fund acquires, directly or indirectly, in any manner whatsoever, (i) property associated with the generation, transmission or distribution of electricity or other forms of energy; (ii) the revenues and/or contracts related to the provision of services and/or products in connection with the generation, transmission or distribution of electricity or other forms of energy, (iii) an interest in reserves of natural gas or the production of natural gas facilities; (iv) products, services or rights of any kind related to any of the foregoing, subject to the investment restrictions described in section 5.3; in each case provided that, prior to the Manager recommending and the IFPC Directors approving any acquisition, the Manager and the IFPC Directors shall have determined that such acquisition complies with the acquisition guidelines set forth in Schedule F."

Section 5.3 of the Trust Indenture is deleted and replaced with the following:

"Section 5.3 Other Investment Restrictions.

Without in any manner qualifying or limiting the restrictions imposed by Section 5.1, under no circumstances shall the Trustee purchase any investment which would result in the Fund not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act at the time such investment was acquired."



NORTHLAND POWER INCOME FUND

SCHEDULE "2" ACQUISITION GUIDELINES

Capitalized terms used but not defined in these guidelines shall have the meanings ascribed thereto in the Amended and Restated Trust Indenture between Northland Power Inc. and Montreal Trust Company of Canada dated as of the 15th day of April, 1997, as amended.

For purposes of these guidelines, "Assets" shall mean the assets acquired through a Permitted Acquisition, including assets acquired indirectly through a purchase of shares.

Permitted Acquisitions must comply with the following conditions.

1. Permitted Acquisitions will be recommended by the Manager and must be reviewed and approved by the Board of Directors of IFPC.
2. Any Permitted Acquisition must reasonably be expected to result in an increase in Distributable Cash Flow per Trust Unit.
3. Any Permitted Acquisition must reasonably be expected not to increase materially the risk profile of the Fund.
4. Any Permitted Acquisition will not result in the Fund losing its status as either a "unit trust" or a "mutual fund trust" as those terms are defined in the Tax Act.
5. Acquisitions of Assets with long-term off-take agreements (such as power purchase agreements and heat sales agreements) with major creditworthy organizations will be preferred, and in other cases market price and exchange rate assumptions used in any acquisition evaluations will be from a recognized independent source.
6. Any Permitted Acquisition must reasonably be expected to provide a forecast internal rate of return that is greater than 200 basis points above the yield of long-term (20 year) Government of Canada bonds over the expected life of the Assets after deducting operating costs, general and administrative expenses, management fees and incorporating the impact of new or existing debt financing (either long term or bridge financing) but before income taxes.
7. The expected useful life of the physical assets acquired, with regular maintenance and upkeep, must reasonably be expected to be not less than 20 years.
8. In the event that a Permitted Acquisition requires the assumption of existing debt, the debt service costs in respect of the Assets acquired may not exceed 66.6% of the earnings before interest, income taxes, depreciation and amortization from the Assets.
9. Permitted Acquisitions involving the direct purchase of Assets will be based on an independent engineering report confirming the condition of each of the Assets and the technical assumptions utilized in the acquisition evaluation.



**NORTHLAND POWER
INCOME FUND**

SCHEDULE "C"

RESOLVED as a special resolution that the Supplemental and Restated Trust Indenture between Northland Power Inc. and Montreal Trust Company of Canada, made April 15, 1997, as amended (the "Trust Indenture") be and is hereby amended as follows:

The following is added as a new Section 4.28 as follows:

"Section 4.28 Power to Purchase Outstanding Trust Units

The Trustee shall have the power to purchase and pay for, out of Fund Property, outstanding Trust Units in accordance with the rules and procedures of The Toronto Stock Exchange for normal course issuer bids at such times and for such numbers of Trust Units and at such prices as the Trustee, after consultation with the Manager, deems advisable."



**NORTHLAND POWER
INCOME FUND**

SCHEDULE "D"

RESOLVED as a special resolution that the Supplemental and Restated Trust Indenture between Northland Power Inc. and Montreal Trust Company of Canada, made April 15, 1997, as amended (the "Trust Indenture") be and is hereby amended as follows:

1. Section 1.1 of the Trust Indenture is amended by deleting the definition for "Permitted Borrowings" and replacing it with the following:

"Permitted Borrowings" means any borrowing by the Fund or IFPC in connection with:

- (i) Permitted Acquisitions,
- (ii) the expansion or upgrade of any of its facilities or assets, or
- (iii) the financing of any normal course issuer bid for Trust Units made in accordance with the rules and procedures of The Toronto Stock Exchange,

subject to such limitations thereon, if any, as the IFPC Directors may determine."

2. Section 4.3 of the Trust Indenture is amended by deleting subsection 4.3(4) and replacing it with the following:

"(4) Notwithstanding any other limitation in this Section 4.3, the Trustee shall have the power to borrow money and charge, mortgage, hypothecate and/or pledge and a grant security interest in, free and clear from any and all trusts, all or any currently owned or subsequently acquired Fund Property to secure any money borrowed or any debts or liabilities which constitute Permitted Borrowings."