



**NORTHLAND POWER  
INCOME FUND**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS TO BE HELD MAY 23, 2002**

**NOTICE IS HEREBY GIVEN** that the Annual and Special Meeting of Unitholders of Northland Power Income Fund (the "Fund") will be held at TSE Conference Centre, Exchange Tower, 130 King Street West, Toronto, Ontario, on Thursday, May 23, 2002 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, 2001, 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; and
5. 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, 2001 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, or with the chairman of the meeting prior to commencement of the meeting.**

DATED at Toronto, Ontario, the 7th day of March, 2002.

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

James C. Temerty  
President

## MANAGEMENT INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

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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 at TSE Conference Centre, Exchange Tower, 130 King Street West, Toronto, Ontario, on Thursday, May 23, 2002, 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 7, 2002. 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

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The persons named in the enclosed Form of Proxy are officers of the Manager. **A Unitholder or intermediary 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 with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law.

### EXERCISE OF DISCRETION BY HOLDERS OF PROXIES

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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 Resolution (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 Resolution relating to the proposed amendments to the Trust Indenture.**

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 matters in accordance with the best judgment of the proxy nominee.

## VOTING SECURITIES

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As of the close of business on March 7, 2002 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 4, 2002 (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 Resolution (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 the Special Resolution 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

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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 CDS. However, its purpose is limited to instructing the registered Unitholder 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 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

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As of the close of business on March 7, 2002, 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

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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 restated trust indenture dated April 15, 1997, as amended, (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 <sup>(1)</sup>
James C. Temerty <sup>(3)</sup> Toronto, Ontario	President and Director	President of Northland Power Inc. (the parent company of the Manager) and its predecessor	1997	1,481,400 <sup>(4)</sup>
Pierre R. Gloutney <sup>(2),(3)</sup> Terrasse Vaudreuil, Quebec	Director	President and Chief Executive Officer, Refco Futures (Canada) Ltd.	1997	10,257
A. Warren Moysey <sup>(2)</sup> Toronto, Ontario	Director	Company Director. Prior to October 1996, Chairman and Director, C.I. Fund Management Inc.	1997	1,000
F. David Rounthwaite <sup>(2)</sup> Toronto, Ontario	Director	Partner, McCarthy Tetrault LLP (law firm)	1997	500
The Right Honourable John N. Turner, Q.C. Toronto, Ontario	Director	Partner, Miller Thomson LLP (law firm)	1997	NIL

Notes: <sup>1)</sup> This information, not being within the knowledge of the Manager, has been furnished by the respective directors individually.

<sup>2)</sup> Member of the Audit Committee of IFPC.

<sup>3)</sup> Nominee of the Manager.

<sup>4)</sup> Of these 1,481,400 Units, 736,600 Units are held directly by Mr. Temerty, 40,000 Units are held by Mr. Temerty's spouse, Mrs. Louise Temerty and 704,800 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, 2001. 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**

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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**

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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, 2001 to December 31, 2001, IFPC paid the Manager a total of \$493,000 for the services provided under the Management Agreement and has accrued and paid incentive fees of \$1.719 million. 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.

## **AMENDMENTS TO TRUST INDENTURE TO FACILITATE ACQUISITIONS**

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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” authorizing certain amendments to the Trust Indenture (the “Special Resolution”) to better facilitate acquisitions by the Fund.

Over the course of the past several years, the Manager has considered various potential acquisitions on behalf of the Fund. The Trust Indenture has been amended twice previously to provide the Fund with more investment flexibility. The previously approved amendments created Acquisition Guidelines for the Fund and clarified borrowing powers for acquisition purposes. The existing Acquisition Guidelines are set out in Schedule 2 as included in Schedule B. Since the last amendments to the Trust Indenture, the Manager has explored a number of possible acquisitions by the Fund. In some cases, significant due diligence

has been conducted and purchase offers submitted, usually in competitive conditions. To date none of these acquisitions has proceeded. In pursuing these opportunities, the Manager has become aware that flexibility in acquisition funding and the ability to quickly respond to opportunities are crucial to the success of proposed acquisition offers. In this regard, the Manager and the directors of IFPC believe that the Fund has been unduly hampered by some provisions of the existing Trust Indenture. Additionally, the Manager believes that there may be acquisition opportunities in the construction, development and rehabilitation of power generation facilities and associated assets which by their nature may not immediately meet the existing Acquisition Guidelines even though these investments would be expected to meet the Acquisition Guidelines once construction, development or rehabilitation is completed.

Management remains of the view that Unitholders would benefit significantly from appropriate new investments by the Fund. Accordingly, the Manager and the IFPC Directors are proposing additional amendments to further enhance the Fund's investment capabilities and to provide the Fund more flexibility to make acquisitions and to raise funds by the issuance of different types of securities, all of which are intended to bring the Trust Indenture more in line with the current market practice.

The substance of the proposed amendments is as follows:

1. To enable the Fund to make acquisitions that consist of, or include, debt securities of an entity that carries on one of the businesses that would constitute a Permitted Acquisition, the definition of "Permitted Acquisition" would be amended by adding the words "including through the acquisition of debt or equity securities in any other Person". As well, the Acquisition Guidelines of the Fund would be amended by adding "or other securities" after "indirectly through a purchase of shares".
2. It may be in the interests of the Fund to raise money by issuing securities other than Trust Units. Accordingly, proposed amendments to subsection 6.3(4) would permit the issuance of other types of securities if such issuance has been recommended by the Manager and approved by the IFPC Directors. The amendments would also clarify that funds may be raised for the purpose of making a Permitted Acquisition even if the particular acquisition has not been specifically identified. Allowing the Fund this flexibility may improve the Fund's competitive position in bidding for potential Permitted Acquisitions.
3. Subsections 4.3(5) and 6.3(5) are being added to provide that funds raised by means of Permitted Borrowing or by the issuance of securities may be invested by the Trustee pending the use of those funds for the purpose for which the borrowing was made or the securities were issued.
4. If a potential acquisition is a construction, rehabilitation or development project, it may be difficult for the IFPC Directors to conclude that the acquisition at the time it is made would not materially increase the risk profile of the Fund (condition 3 of the Acquisition Guidelines) or that it would result in an increase in the level of cash distributions (condition 2) immediately. The proposed amendments add condition 10 to the Acquisition Guidelines which would have the effect of permitting the IFPC Directors to approve a construction, rehabilitation or development project if such a project is not expected to result in a decrease in the level of cash distributions and after the completion of the construction, rehabilitation or development it is reasonably expected to satisfy conditions 2 and 3 of the Acquisition Guidelines with respect to being accretive and not materially increasing the Fund's risk profile.

The Manager and the IFPC Board are requesting that the Unitholders approve the Special Resolution attached as Schedule "A" in order that the proposed amendments to the Trust Indenture be implemented. In order to be adopted, the Special Resolution will require a majority of not less than 66 2/3% of the votes cast on the Special Resolution at the Meeting.

## DIRECTOR APPROVAL

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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 7th day of March, 2002.



James C. Temerty  
President  
Iroquois Falls Power Management Inc.

IROQUOIS FALLS POWER MANAGEMENT INC.  
30 St. Clair Avenue West, 17th Floor, Toronto, Ontario  
M4V 3A2



**NORTHLAND POWER  
INCOME FUND**

**SCHEDULE "A"**

**RESOLVED** as a special resolution that the Unitholders authorize the following amendments to the Supplemental and Restated Trust Indenture dated April 15, 1997, as amended, to provide the Fund with increased investment flexibility:

- (a) that the definition of "Permitted Acquisition" be deleted and replaced 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, including through the acquisition of debt or equity securities in any other Person, (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 2."
- (b) that the definition of "Assets" contained in Schedule 2 be amended by adding "or other securities" after "indirectly through a purchase of shares".
- (c) that Subsection 6.3(4) be deleted and replaced with the following:  
"Securities of the Trust may be issued by the Trustee, without Unitholder approval, for the purpose of making or raising proceeds to make Permitted Acquisitions (whether or not such Permitted Acquisitions have been identified at the time of issuing such securities), for the expansion or upgrade of any of the Fund's facilities or assets or to pay any operations and administration expenses, issue expenses and underwriters fees, where such Permitted Acquisition or expansion or upgrade and the issuance of the securities have been recommended by the Manager and approved by the IFPC Directors. Such securities may consist of additional Trust Units, instalment receipts, subscription receipts, bonds, debentures, notes or other evidences of indebtedness (which bonds, debentures, notes or other evidences of indebtedness may be convertible into Trust Units or other securities of the Trust) or warrants, options or rights to subscribe for, purchase or acquire Trust Units or any other securities of the Trust."
- (d) that the following Subsection 4.3(5) be added:  
"(5) The Trustee may, pending the application of the proceeds of any Permitted Borrowing for the purposes of the Permitted Borrowing, deal with such proceeds in accordance with Subsection 4.2(1)."
- (e) that the following Subsection 6.3(5) be added:  
"(5) The Trust may, pending the application of the proceeds of any issuances of securities in accordance with Subsection 6.3(4), deal with such proceeds in accordance with Subsection 4.2(1)."
- (f) that the following condition 10 be added to Schedule 2:  
"10. Notwithstanding conditions 2 and 3, if the Assets consist of a construction, rehabilitation or development project, (a) the Permitted Acquisition must reasonably be expected to result in an increase in Distributable Cash Flow per Trust Unit after completion of the construction, rehabilitation or development of the project and not to result in a decrease in Distributable Cash Flow per Trust Unit prior thereto and (b) the risk profile of the Fund is not expected to be materially greater after the completion of the construction, rehabilitation or development than prior to making the Permitted Acquisition."



## **NORTHLAND POWER INCOME FUND**

### **SCHEDULE "B"**

#### **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.