

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

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by person permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States of America, or to, or for the account or benefit of, U.S. persons, except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or under exemptions from those laws. See "Plan of Distribution".

SHORT FORM PROSPECTUS

New Issue

August 18, 2004



**NORTHLAND POWER
INCOME FUND**

\$65,000,000

6.50% Convertible Unsecured Subordinated Debentures due June 30, 2011

This short form prospectus ("Prospectus") qualifies the distribution of \$65,000,000 principal amount of 6.50% convertible unsecured subordinated debentures (the "Debentures") of Northland Power Income Fund (the "Fund") due June 30, 2011 (the "Maturity Date"). The Debentures will be dated August 26, 2004 and will bear interest at an annual rate of 6.50%, payable semi-annually in arrears on June 30 and December 31 in each year (or the immediately following business day if any interest payment date would not otherwise be a business day), commencing on December 31, 2004. Further particulars concerning the Debentures are set out under "Details of the Offering". The net proceeds from the sale of the Debentures will be used by the Fund primarily to partially finance the construction of a 54 MW wind farm project currently under development at Miller Mountain in the Gaspé peninsula of Québec (the "Miller Mountain Project"). The Fund controls and owns the majority of the economic interest in the Miller Mountain Project. The completed Miller Mountain Project will consist of 30 Vestas V80 1.8 MW wind turbines, and will be constructed by Vestas-Canadian Wind Technology, Inc. ("Vestas") under a fixed price engineering, procurement and construction agreement and intellectual property licence (the "EPC Agreement"). Once the Miller Mountain Project has achieved commercial operation, it will sell all of the electricity which it produces to Hydro-Québec, a public utility which is wholly owned by the Province of Québec, under a 21 year Power Purchase Agreement (the "PPA").

Conversion Privilege

Each Debenture will be convertible into trust units of the Fund (the "Trust Units") at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of \$12.50 per Trust Unit (the "Conversion Price") being a ratio of 80 Trust Units per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date on their Debentures to the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Details of the Offering — Conversion Privilege". **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See "Canadian Federal Income Tax Considerations".**

The Debentures may not be redeemed by the Fund on or prior to June 30, 2007. Thereafter, but prior to June 30, 2009, the Debentures may be redeemed, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior notice, provided that the weighted-average trading price of the Trust Units on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after June 30, 2009 and prior to the Maturity Date, the Debentures may be redeemed by the Fund, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice. Subject to regulatory approval, the Fund may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of freely-tradeable Trust Units. Further particulars concerning the interest, redemption and maturity provisions of the Debentures are set out under "Details of the Offering".

Price: 100% plus accrued interest, if any

	Price to the Public	Underwriters' Fee	Net Proceeds to the Fund⁽¹⁾
Per Debenture	\$1,000	\$40	\$960
Total Offering	\$65,000,000	\$2,600,000	\$62,400,000

Notes:

(1) Before deduction of the expenses of this offering, estimated at \$400,000, which, together with the Underwriters' fee, will be paid by the Fund out of the proceeds of this offering.

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The TSX has conditionally approved the listing of the Debentures and the Trust Units issuable upon conversion, redemption or maturity of the Debentures. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before September 20, 2004.

The Fund's outstanding Trust Units are listed for trading on the TSX under the symbol NPI.UN. The closing price of the Trust Units on the TSX on August 17, 2004, was \$11.42.

Investment in the Debentures is subject to certain risks that should be considered by prospective purchasers. See "Risk Factors".

Based upon the limitations and assumptions contained in "Canadian Federal Income Tax Considerations", in the opinion of counsel, as of the date of this Prospectus, the Debentures will be, and the Trust Units are, qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the *Income Tax Act* (Canada). Based on such limitations and assumptions, the Debentures will not be, and the Trust Units are not, foreign property within the meaning of the *Income Tax Act* (Canada). See "Eligibility for Investment".

At the Fund's request, Standard & Poor's, a division of The McGraw-Hill Companies ("S&P") has affirmed, as of August 5, 2004, that, after giving effect to the investment in the Miller Mountain Project, the rating on the outstanding Trust Units will be "SR-2", with a negative outlook, under the income fund stability and sustainability rating scale established by S&P. The Trust Units of the Fund have also received a rating from Dominion Bond Rating Service Limited ("DBRS") of STA-2 (low) under its income fund stability rating system. On August 9, 2004, DBRS placed the Fund "Under Review with Developing Implications" as a result of the transactions described in this Prospectus. The DBRS rating has not been solicited. See "Stability Ratings of the Trust Units".

CIBC World Markets Inc. ("CIBC World Markets"), BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Canaccord Capital Corporation and FirstEnergy Capital Corp. (collectively, the "Underwriters"), as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued and sold by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the Fund by Borden Ladner Gervais LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. The terms of this offering were established through negotiation between the Manager on behalf of the Fund and CIBC World Markets on behalf of the Underwriters. **Each of CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc. and National Bank Financial Inc. is a wholly owned subsidiary of a Canadian chartered bank which has provided certain credit facilities to the Fund. Accordingly, the Fund could be considered a connected issuer of CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc. and National Bank Financial Inc. for purposes of the securities legislation of certain Canadian provinces. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. See "Plan of Distribution". The closing of this offering is expected to occur on or about August 26, 2004 or such later date as the Manager, the Fund and the Underwriters may agree, but in any event not later than September 24, 2004. At closing, a book entry only certificate representing the Debentures will be issued in registered form to The Canadian Depository for Securities Limited ("CDS"), or its nominee, and will be delivered to CDS on closing of this offering. Except as noted herein, physical certificates will not be issued to purchasers of the Debentures and purchasers of the Debentures will only receive a confirmation of purchase from the Underwriter or other registered dealer from or through whom the Debentures are purchased.

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SUMMARY

The following is a summary only and is qualified by the more detailed information appearing elsewhere in this Prospectus. Reference is made to the Glossary of Terms for detailed definitions of certain terms used in this Prospectus.

Northland Power Income Fund

- Issuer:** The Fund is an unincorporated open-ended trust established under the laws of Ontario. The Fund owns, indirectly: a 120 MW natural gas-fired combined cycle cogeneration facility located in Iroquois Falls, Ontario; a 25% general partner interest in Kingston CoGen Limited Partnership, which owns a 110 MW natural gas-fired combined cycle cogeneration facility near Kingston, Ontario; and an investment in two combined cycle cogeneration facilities located in Brandywine, Maryland and Roanoke Rapids, North Carolina, USA, with total capacity of 410 MW.
- Miller Mountain Project:** The Miller Mountain Project is owned by Miller LP, a Québec limited partnership which the Fund controls and in which the Fund owns a majority of the economic interest.
- Construction of the Miller Mountain Project is scheduled to commence in August, 2004 and to be completed in March 2005. The Miller Mountain Project will be built on land leased from the Government of Québec for a 25 year period with an option to extend the lease for an additional 15 years. When construction is complete, the Miller Mountain Project will consist of 30 1.8 MW Vestas V80 turbines and all electricity produced by the Miller Mountain Project will be sold to Hydro-Québec, pursuant to the terms of a 21 year PPA with Hydro-Québec. The total amount of payments to be made by the Fund in connection with the acquisition (the “Acquisition”) and construction of the Miller Mountain Project (collectively, the “Transaction”) will be \$95,055,100 (the “Transaction Value”).
- Miller LP is responsible for completing the construction and ensuring the successful commissioning of the Miller Mountain Project, including the purchase of and installation of wind turbines together with the related infrastructure, roads, low voltage electricity collection system and interconnection facilities with Hydro-Québec’s electrical grid. Miller LP has entered into the EPC Agreement with Vestas, whereby Vestas is required to engineer, procure, construct, start up and, once the Miller Mountain Project is fully operational, interconnect it to the Hydro-Québec transmission grid under the terms of the PPA and the Interconnection Agreement between Miller LP and Hydro-Québec.
- The Miller Mountain Project is located on the Gaspé peninsula on the outskirts of the town of Murdochville. The wind farm will be developed around Miller Mountain, which is located to the east of Murdochville. The area is characterized by a series of forested ridges and mountaintops that are among the highest points on the Gaspé peninsula, providing exposure to the predominant northwesterly winds. The project site is close to major power transmission lines, including a 161 kV line which connects Murdochville to the nearby Hydro-Québec grid.
- Based on wind data collected from the site and nearby locations, Garrad Hassan and Partners Ltd., an independent engineering consulting firm, has concluded that the Miller Mountain Project’s expected wind energy production level is 195.9 GWh per year at a 50% probability of exceedance.
- Cost of the Transaction:** The Fund has made arrangements with the Developer that ensure that the Fund will make payments equal to the Transaction Value in connection with the

Transaction. If the Transaction Value exceeds the Completion Costs, the Developer is entitled to receive the excess as a distribution on its Class B Subordinated Units. If, however, the Completion Costs exceed the Transaction Value, the Developer is required to fund this excess (the “Construction Cost Overrun”) by way of additional capital contributions to Miller LP through the purchase of Class C Units. Based on the Manager’s estimate of the Completion Costs, the Developer is expected to receive a distribution in the amount of \$2,000,000, plus the portion of the \$4,000,000 contingency that is not used, upon completion of the Miller Mountain Project as a result of these arrangements. See “The Transaction”.

Transaction Funding:

The Transaction will be financed by the net proceeds of this offering and a non-recourse construction and term loan from a major Canadian financial institution in the principal amount of \$40 million that Miller LP is currently in the process of arranging. The Fund’s acquisition line of credit will be used as a bridging facility until Miller LP has obtained the permanent financing.

Cash Distributions from the Miller Mountain Project:

After paying all costs and expenses of Miller LP in any fiscal year, the first \$5,786,880 (the “Base Amount”) of the distributable cash of Miller LP will be payable to CT, on a quarterly basis, as the holder of Class A Priority Units (together with any previously unpaid amounts of the Base Amount). The balance of distributable cash of Miller LP will be payable on an annual basis as follows: 0.10% payable to Miller GPCo as the general partner; 49.95% to CT, as the holder of the Class A Priority Units; and 49.95% to the Developer as the holder of Class B Subordinated Units and, if applicable, Class C Units.

Cash Distributions of the Fund During Construction:

An amount equal to the interest payable and accruing on the Debentures until March 2005 (when the Miller Mountain Project is scheduled for completion) will be set aside out of the net proceeds of this offering and will be used to fund interest on the Debentures. If construction is delayed past that date, an amount equal to the accruing interest on the Debentures (and any distributions on any Trust Units issued on conversion of Debentures) will be funded by the Developer, either by reducing the amount of distribution to it as holder of Class B Subordinated Units or by increasing the amount of the Construction Cost Overrun that it is required to fund.

Investment Objective of Fund:

The Fund’s investment objective is to produce stable and sustainable levels of cash available for distribution to Unitholders from assets, businesses, acquisitions and investments related to the generation, production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels.

Transaction Rationale:

The Fund believes that the principal benefits of the Transaction are as follows:

- **Diversification:** The Transaction will significantly improve the diversification of the Fund. The Transaction will result in the Fund’s cash flow being diversified over five geographically separate facilities and four different regulatory regimes. Additionally, as the Miller Mountain Project will use technology different from that of the Fund’s existing projects, risks to the Fund associated with particular technologies will be diversified.
- **Stable and Growing Source of Cash Flow:** The projected net energy production of the Miller Mountain Project is expected to be 195.9 GWh, at a 50% probability of exceedance and 173.3 GWh at a 90% probability of exceedance. The 21 year PPA with Hydro-Québec, at a fixed escalating energy tariff, is expected to provide the Fund with sustainable cash flow.

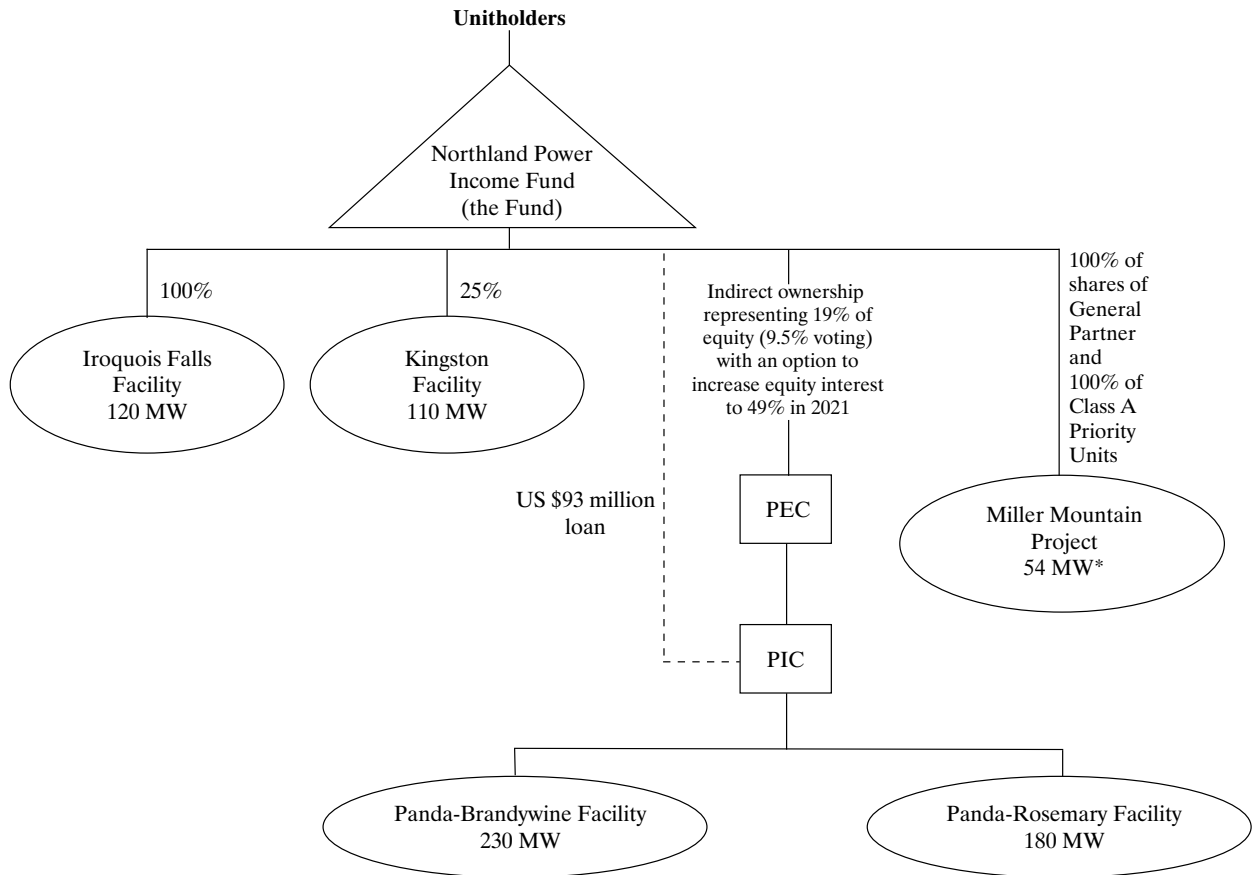
Hydro-Québec is a creditworthy counterparty with a rating of A1 positive (Moody's) and A+ Stable (S&P). The 1.8 MW Vestas V80 wind turbines being used in the Miller Mountain Project have a proven performance record which confirms the efficiency and reliability of these turbines. Vestas has warranted a 95% availability for a period of 5 years, under the WMS Agreements.

- **Impact on Distributions:** The Transaction represents an opportunity to increase the size of the Fund's assets, and, once the Miller Mountain Project is in service, is reasonably expected to enable the Fund to increase its cash distributions per Trust Unit.
- **Improved Liquidity:** The issuance of additional Trust Units upon conversion of the Debentures is expected to increase the volume and trading in the Fund's Trust Units.

Approval of the Transaction:

The Transaction was recommended by the Manager and reviewed and unanimously approved, as required by the Fund's Trust Indenture, by the Independent Trustees. In addition, in light of NPI's involvement in the Transaction, the CT Trustees formed an independent committee which unanimously determined that the payments to NPI and the Manager relating to the sale of the Miller Mountain Project to the Fund and entitlement to cash flow distributions and management fee arrangements over the life of the Miller Mountain Project are fair and reasonable from a financial point of view to the Fund, its affiliates and the Unitholders. In making its determination, the Independent Committee received advice from independent legal counsel and obtained independent financial advice as to the fairness and reasonableness of such payments. See "Summary Description of the Business of the Fund — Transaction Approvals and Procedure".

Following the Transaction the simplified organizational structure of the Fund is as follows:



* The Fund has acquired its interest in the Miller Mountain Project from 3Ci and NPI. NPI is the parent company of the Manager of the Fund. NPI continues to have an indirect interest in the Miller Mountain Project. See “Interest of Insiders in Material Transactions” and “Summary Description of the Business of the Fund — Organizational Structure”.

The Offering

Offering:	\$65,000,000 principal amount of 6.50% Convertible Unsecured Subordinated Debentures.
Subscription Price:	\$1,000 per \$1,000 principal amount of Debenture.
Use of Proceeds:	The Fund will use the net proceeds from this offering, directly and indirectly, for the acquisition of the Fund's interest in, and for the completion of construction of, the Miller Mountain Project, to fund interest on the Debentures and for general purposes of the Fund. See "Use of Proceeds".
Interest and Maturity:	Interest will be payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on December 31, 2004. The first payment will include accrued interest from the Closing Date to December 31, 2004. The Debentures will mature on June 30, 2011. See "Details of the Offering — Debentures".
Conversion:	The Debentures will be convertible at the holder's option into fully-paid, non-assessable and freely-tradeable Trust Units at any time prior to 5:00 p.m. (Toronto Time) on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of \$12.50 per Unit (the "Conversion Price") being a ratio of 80 Trust Units per \$1,000 principal amount of Debenture. See "Details of the Offering — Conversion Privilege".
Redemption:	The Debentures may not be redeemed by the Fund on or before June 30, 2007. Thereafter, but prior to June 30, 2009 the Debentures may be redeemed by the Fund, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the Current Market Price preceding the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On or after June 30, 2009 and prior to the Maturity Date, the Debentures may be redeemed by the Fund, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice. See "Details of the Offering — Redemption and Purchase".
Payment on Redemption or Maturity:	On redemption or at the Maturity Date, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing Trust Units, in whole or in part, to the holders of the Debentures. The number of Trust Units to be issued will be determined by dividing the principal amount of the Debentures by 95% of the Current Market Price of the Trust Units on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Trust Units will be issued to holders of Debentures but in lieu thereof the Fund shall satisfy such fractional interest by a cash payment equal to the current market price of such fractional interest. See "Details of the Offering — Payment upon Redemption or Maturity".
Put Right on Change of Control:	Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66⅔% or more of the outstanding Trust Units by any person or group of persons acting jointly or in concert (a "Change of Control")

whether in one or more than one step, each holder of Debentures may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control (the “Put Date”), the whole or any part of such holder’s Debentures at a price equal to 101% of the principal amount thereof (the “Put Price”) plus accrued and unpaid interest to the Put Date. See “Details of the Offering — Put Right upon a Change of Control”.

Subordination:

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Fund. “Senior Indebtedness” of the Fund will be defined in the Indenture as all indebtedness of the Fund (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 Debentures will not limit the ability of the Fund to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness. See “Details of the Offering — Subordination”.

Ratings:

At the Fund’s request, S&P has affirmed, as of August 5, 2004, that, after giving effect to the Acquisition, the stability rating on the outstanding Trust Units, will be “SR-2” with a negative outlook under the income fund stability and sustainability rating scale established by S&P. The stability ratings assess both the variability and sustainability of the cash distribution stream payable on the securities of an income trust in relation to other Canadian rated income trusts over the medium to long-term. S&P assigns a single stability rating ranging from SR-1 through SR-7, with SR-1 (least variable and most sustainable) being the highest rating and SR-7 (most variable and least sustainable) being the lowest. DBRS issued an unsolicited and unconfirmed report on June 29, 2004 on the Fund, before the announcement of the Transaction and attributed to the Fund a stability rating of “STA-2 (low)” under its income fund stability rating system. Such ratings are not a recommendation to buy, sell or hold Trust Units and they are subject to revision, suspension or withdrawal at any time by S&P and DBRS, as applicable. See “Stability Ratings of the Trust Units”.

Risk Factors:

Investment in the Debentures is subject to a number of risks as set out in the Fund’s management’s discussion and analysis as at and for the year ended December 31, 2003. Additional risks arising as a result of the Transaction include: (i) variability of wind resource; (ii) risks related to the assessment and availability of wind resource and associated wind energy production; (iii) risks related to turbine design and local climate; (iv) reliance on Vestas as supplier of the wind turbines; (v) termination of the PPA by Hydro-Québec; (vi) failure to obtain the Construction and Term Financing; (vii) construction risks; (viii) debt covenants in Construction and Term Financing; (ix) impact of other projects; (x) performance of turbines; (xi) regulatory risks; (xii) the Fund’s inexperience with wind power facilities; (xiii) reliance on the Developer and the Manager and the potential for conflicts of interest; (xiv) contract performance risks; (xv) *force majeure*; and (xvi) insurance limits. Additional risks arising as a result of the nature of the Debentures and the Trust Units include: (i) lack of trading market for Debentures; (ii) the subordination to senior indebtedness and absence of covenant protection; (iii) limitation of value of conversion following certain transactions; and (iv) liability of Unitholders. See “Risk Factors”.

Canadian Tax Considerations:

A holder of Debentures will be required to include interest on the Debentures in computing its income.

A holder of Debentures who converts a Debenture into Trust Units pursuant to the conversion privilege may realize a capital gain or capital loss on the conversion. The holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Trust Units so acquired and the amount of any cash received in lieu of fractional Trust Units.

A Unitholder will generally be required to include, in computing the Unitholder's income for the year, the amount of net income, and the taxable portion of the net realized capital gains of the Fund, that is paid or payable to the Unitholder in the year whether in cash or in Trust Units. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder's Trust Units. To the extent that the adjusted cost base of a Trust Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount. A Unitholder who disposes of Trust Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of such Units and any reasonable costs of disposition.

Prospective purchasers of Debentures should consult their tax advisors regarding the tax implications of an investment in Debentures. See "Canadian Federal Income Tax Considerations".

FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference contain certain forward-looking statements with respect to the Fund, and entities and assets which it owns or has an interest in, directly or indirectly, based on assumptions that Northland Power Income Fund Management Inc. (the "Manager"), a wholly owned subsidiary of Northland Power Inc. ("NPI"), considered reasonable at the time they were prepared. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause results of events to differ from current expectations include, but are not limited to, the factors described in the "Management's Discussion and Analysis" of the Northland Power Income Fund's 2003 Annual Report on pages 27 to 33 and the risk factors set out herein under the heading "Risk Factors".

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 of Investor Relations of Northland Power Income Fund Management Inc., telephone (416) 962-6262 ext. 156 and fax (416) 962-6266. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the secretary of the Manager at the above-mentioned address and telephone and fax numbers.

The following documents of Northland Power Income Fund (the “Fund”), filed with the provincial securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference and form part of this short form prospectus (the “Prospectus”):

- (a) annual information form dated March 10, 2004;
- (b) comparative consolidated financial statements of the Fund as at and for the years ended December 31, 2003 and 2002, together with the auditors’ report thereon;
- (c) management’s discussion and analysis as at and for the year ended December 31, 2003;
- (d) comparative interim consolidated financial statements of the Fund as at and for the six-month periods ended June 30, 2004 and 2003;
- (e) management’s discussion and analysis as at and for the six-month periods ended June 30, 2004 and 2003;
- (f) management information circular dated April 20, 2004 prepared in connection with the Fund’s annual meeting of unitholders of the Fund (“Unitholders”) held on May 18, 2004; and
- (g) material change report filed August 9, 2004 announcing the acquisition of, and investment in, a 54 MW wind farm project, to be located at Miller Mountain near Murdochville, Québec (the “Miller Mountain Project”) (see “The Transaction”) and this offering.

Any statement contained 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 herein 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 purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that 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.

Any material change reports (except confidential material change reports), comparative interim financial statements, comparative annual financial statements and the accompanying report of the auditor and information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) filed by the Fund 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 this distribution shall be deemed to be incorporated by reference in this Prospectus.

NORTHLAND POWER INCOME FUND

The Fund is an unincorporated open-ended trust established under the laws of Ontario which owns interests in two combined-cycle cogeneration facilities in Ontario, a combined-cycle cogeneration facility in Maryland, and a combined-cycle cogeneration facility in North Carolina. The principal office of the Fund is located at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A1.

SUMMARY DESCRIPTION OF THE BUSINESS OF THE FUND

The Fund owns interests in two combined-cycle cogeneration facilities in Ontario, a combined-cycle cogeneration facility in Maryland and a combined-cycle cogeneration facility in North Carolina.

The Fund owns, through NPIF Commercial Trust (“CT”), a trust established pursuant to the laws of Ontario and Iroquois Falls Power Corp. (“IFPC”), a wholly owned subsidiary of CT, continued under the laws of Ontario, a 120 MW natural gas-fired combined cycle cogeneration power plant located in Iroquois Falls, Ontario (the “Iroquois Falls Facility”). The Iroquois Falls Facility supplies electricity to Ontario Electricity Financial Corporation (“OEFC”) and steam to the neighbouring Abitibi-Consolidated mill. The electricity and steam are sold, and natural gas is purchased, under long-term contracts that reduce the Fund’s exposure to unexpected price and volume fluctuations and provide predictable cash flow.

The Fund also owns, through CT and NPIF Kingston L.P., a 25% interest, as a general partner, in Kingston CoGen Limited Partnership (“KCLP”), which owns a 110 MW natural gas-fired combined cycle cogeneration plant, near Kingston, Ontario. KCLP supplies electricity to OEFC and sells steam to a neighbouring facility, in accordance with the terms of long term contracts which provide predictable cash flow. The other partners in KCLP are AES Kingston ULC, which is indirectly owned by The AES Corporation, a U.S.-based energy company, and EnCana Corporation, a Calgary-based oil and gas producer and one of the world’s leading independent oil and gas companies. Operation and maintenance of the KCLP facility is the principal responsibility of AES Kingston ULC under long-term management and operations and maintenance agreements.

The Fund also owns, through CT and IFPC, a 19% equity interest (9.5% voting), together with an option to increase its equity participation to 49% in 2021, in Panda Energy Corporation (“PEC”). The Fund, through CT and IFPC, also funded a senior loan to Panda Interfunding Company LLC (“PIC”), a wholly-owned subsidiary of PEC, in the amount of US\$93 million. The senior loan bears interest at the rate of 10.5% and will mature on November 20, 2021. IFPC receives quarterly payments of blended principal and interest in accordance with a schedule of payments, which commenced on February 20, 2004. Taken together, the loan to PIC and the equity interest in PEC give the Fund an interest in two combined-cycle cogeneration facilities (the “Panda Facilities”) located in the U.S. The 230 MW Panda-Brandywine Facility is located in Brandywine, Maryland, just outside Washington, D.C., and sells electrical capacity and energy pursuant to a long-term power purchase agreement with Potomac Electric Power Company. The 180 MW Panda-Rosemary Facility is located in Roanoke Rapids, North Carolina and sells electrical capacity and energy pursuant to a long-term power purchase agreement with Virginia Electric and Power Company. Both Panda Facilities are certified as qualifying facilities under U.S. federal energy legislation.

The Fund is administered, and the Iroquois Falls Facility and CT are managed, by the Manager, a wholly-owned subsidiary of NPI, a major Canadian developer of energy projects with extensive experience in all aspects of private power development and operational management.

The Fund distributes all of its available cash to Unitholders subject to providing reasonable reserves for working capital and capital expenditures.

Investment Objective of the Fund

The investment objective of the Fund, as set out in the trust indenture, as amended and restated as of July 1, 2003 (the “Trust Indenture”), is “to produce stable and sustainable levels of cash available for distribution to Unitholders from assets, businesses, acquisitions and investments related to the generation, production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels.”

Acquisition and Investment Guidelines

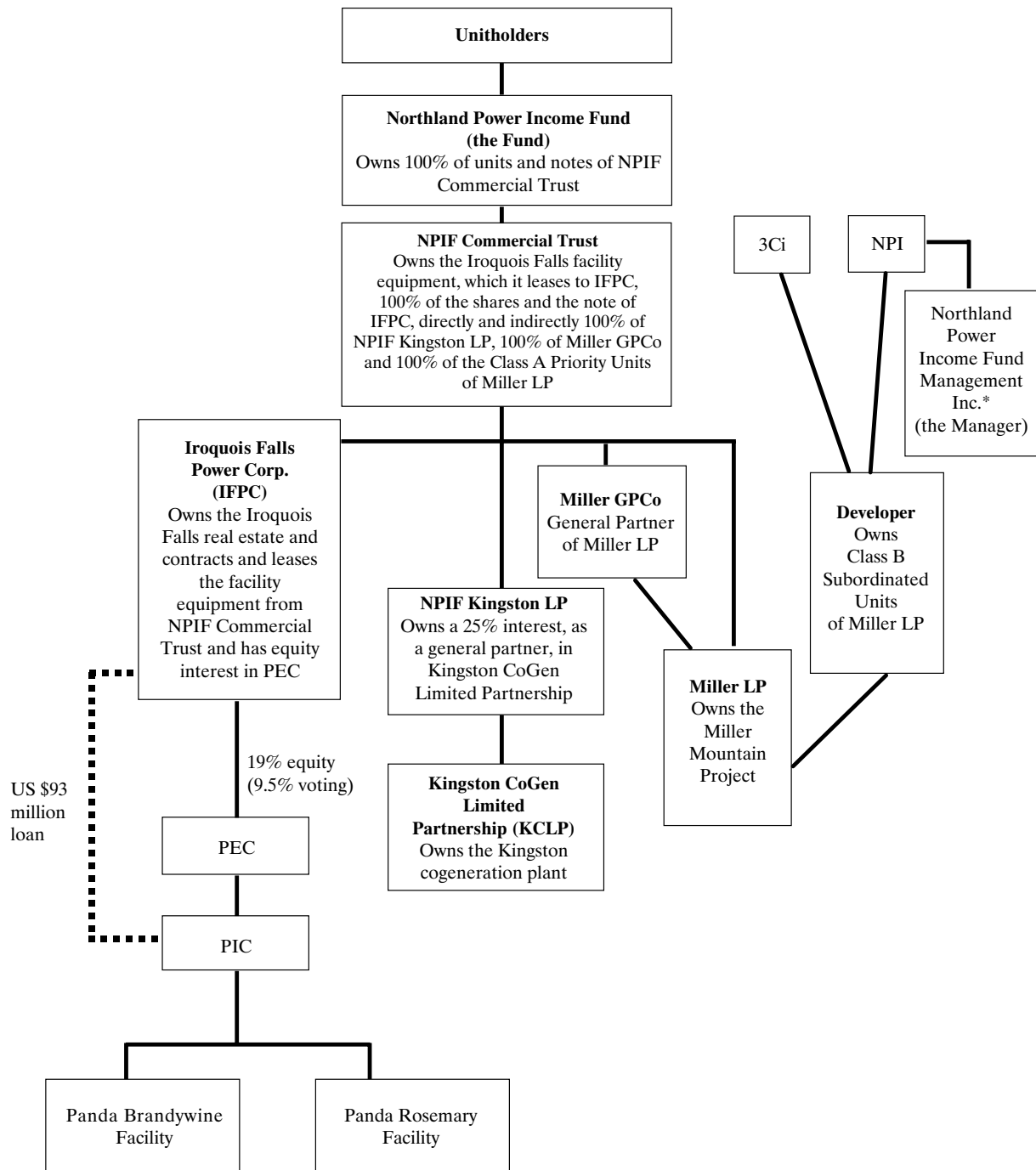
Pursuant to the Trust Indenture, the Fund may make acquisitions and investments, subject to the acquisition and investment guidelines set out in the Trust Indenture. Pursuant to the Trust Indenture, an acquisition or investment by the Fund must conform with the following acquisition and investment guidelines:

- (a) An acquisition or investment must conform to the Fund's investment objective, be recommended by the Manager and be reviewed and approved by the trustees of CT (the "NPIF CT Trustees"). An acquisition from the Manager or its affiliates must be approved by the Independent Trustees as defined in the trust indenture creating NPIF Commercial Trust as supplemented, amended and restated July 1, 2003 (the "NPIF Trust Indenture").
- (b) An acquisition or investment must reasonably be expected to result in an increase in distributable cash flow per Trust Unit or to otherwise provide value to Unitholders. If the acquisition or investment involves construction, rehabilitation or development, the increase in distributable cash flow per Trust Unit or in value to Unitholders may be deferred until completion of the construction, rehabilitation or development.
- (c) An acquisition or investment will not result in the Fund losing its status as either a "unit trust" or a "mutual fund trust" or holding excess "foreign property" under the Income Tax Act (Canada) (the "Tax Act").

The Independent Trustees and the Manager have determined that the acquisition of the Miller Mountain Project (the "Acquisition") and the investment in its construction (together with the Acquisition, the "Transaction") conform to the Fund's acquisition and investment guidelines. See "Summary Description of the Business of the Fund — Transaction Approvals and Procedures".

Organization Structure

Following the Transaction, the simplified organizational structure of the Fund is as follows:



* The Manager has an administration agreement with the Fund, a management agreement with CT, a management agreement with IFPC and a management agreement with Miller LP.

Transaction Approvals and Procedure

The Transaction was recommended to the Fund by the Manager. As required by the Trust Indenture, the Transaction was reviewed and approved by the Independent Trustees who were not appointed by the Manager and its affiliates. The Independent Trustees unanimously determined that the Transaction is fair and reasonable to, and in the best interests of, the Unitholders and unanimously approved the Transaction. The Independent Trustees also determined that, in their opinion, the Transaction meets the acquisition and investment guidelines of the Fund. In addition, the Independent Trustees considered the following factors in evaluating the Transaction:

- (a) the Transaction is expected to be accretive to distributable cash per Trust Unit, beginning with the month following the commercial activation date of the completed Miller Mountain Project;
- (b) Standard & Poor's, a division of The McGraw-Hill Companies ("S&P"), has indicated that the stability rating for the Trust Units will be SR-2 with a negative outlook taking into account the Transaction; and
- (c) the Fund has obtained an independent engineering report from Garrad Hassan and Partners Ltd. ("Garrad Hassan") which the Independent Trustees are satisfied confirms the reasonableness of the technical assumptions utilized by the Fund in the acquisition evaluation.

In addition, in light of the non-arm's length nature of the Transaction, the NPIF CT Trustees formed a committee comprising John Turner, Warren Moysey and Pierre Gloutney (the "Independent Committee") to consider the fairness of the payments to, and entitlement to cash flow distributions and management fee arrangements of, NPI and the Manager pursuant to the Transaction. The Independent Committee unanimously determined that the payments to NPI and the Manager relating to the sale of the Miller Mountain Project to the Fund and entitlement to cash flow distributions and management fee arrangements over the life of the Miller Mountain Project are fair and reasonable from a financial point of view to the Fund, its affiliates and the Unitholders. In making its determination, the Independent Committee received advice from independent legal counsel and obtained independent financial advice as to the fairness and reasonableness of the payments to and entitlement to cash flow distributions and management fee arrangements of NPI and the Manager.

The Acquisition may be considered a "related party transaction" within the meaning of Rule 61-501 ("61-501") of the Ontario Securities Commission (the "OSC") and under Policy Statement No. Q-27 ("Q-27") of the Québec Autorité des marchés financiers. 61-501 and Q-27 provide that, unless exempted, an issuer proposing to undertake a related party transaction is required to prepare a formal valuation of the subject matter of the proposed transaction and to provide holders of the class of affected securities a summary of such valuation. 61-501 and Q-27 would also require that, unless exempted, the issuer seek the approval of the transaction by a majority of the votes cast by the "minority" holders of the affected securities.

The Fund has relied on an exemption available pursuant to 61-501 and Q-27 from the valuation and minority approval requirements. 61-501 and Q-27 provide that if neither the fair market value of, nor the fair market value of the consideration for, the subject matter of the related party transaction is greater than 25% of the issuer's market capitalization, the valuation and minority approval requirements do not apply to such transaction. The Acquisition is exempt from the valuation and minority approval requirements of 61-501 and Q-27, because neither the fair market value of the Miller Mountain Project nor the fair market value of the consideration paid by the Fund for the Miller Mountain Project is greater than 25% of the Fund's market capitalization calculated in accordance with 61-501 and Q-27.

USE OF PROCEEDS

The net proceeds to the Fund from the sale of Debentures are estimated to be approximately \$62 million, as described under “Plan of Distribution”, after deducting the fees payable to CIBC World Markets Inc. (“CIBC World Markets”), BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Canaccord Capital Corporation and FirstEnergy Capital Corp. (collectively, the “Underwriters”) and the expenses of the offering. A portion of this amount, approximately \$2.4 million, will be retained by the Fund to be used to pay interest on the Debentures that is payable or accruing during construction of the Miller Mountain Project until March 2005, before operations are expected to commence. Part of the net proceeds will be used to pay down the funds drawn from the acquisition line of credit of the Fund which was used by CT on a bridging basis to pay amounts required to make the Acquisition and to pay for Class A Priority Units of the Mount Miller Wind Energy Limited Partnership/Énergie Éolienne du Mont Miller société en commandite, a limited partnership formed and existing pursuant to the *Legal Publicity Act* (Québec) (“Miller LP”). The Fund will use the balance of the net proceeds through CT to pay for additional Class A Priority Units of Miller LP and for general purposes of the Fund. Miller LP has used and will use the proceeds from the issuance of Class A Priority Units, together with the non-recourse project construction and the term debt in the amount of \$40 million to be provided by a major Canadian financial institution (the “Construction and Term Financing”), to make the Acquisition, pay assumed liabilities relating to the development of the Miller Mountain Project, purchase equipment and finance construction costs of the Miller Mountain Project.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Fund as at the dates indicated.

	<u>Authorized</u>	<u>December 31, 2003</u>	<u>Outstanding as of June 30, 2004 before giving effect to this offering</u>	<u>Outstanding as of June 30, 2004 after giving effect to this offering</u>
		(in thousands of Canadian dollars, except number of Trust Units)		
Trust Units	unlimited	\$468,641 (47,915,943 Trust Units)	\$468,641 (47,915,943 Trust Units)	\$468,641 (47,915,943 Trust Units)
Convertible Debentures	unlimited	Nil	Nil	\$ 65,000
Long-term debt	unlimited	\$ 34,065	\$ 33,584	\$ 33,584

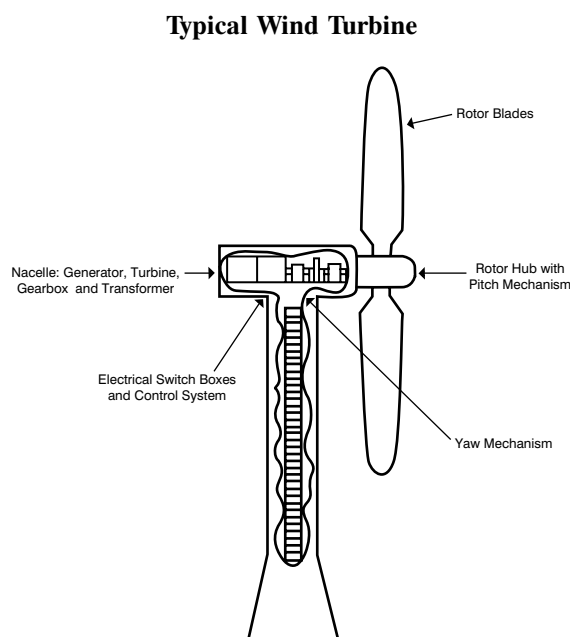
EARNINGS COVERAGE RATIOS

The Fund's interest requirements after giving effect to the issue of the Debentures amounted to \$8.2 million for the twelve months ended December 31, 2003 and \$7.8 million for the twelve months ended June 30, 2004. The Fund's income before interest and income taxes on a reported basis for the twelve months ended December 31, 2003 was \$23.2 million. The Fund's income before interest and income taxes for the twelve months ended June 30, 2004 on a reported basis was \$35.7 million. The interest coverage ratio for for the twelve months ended December 31, 2003 and for the twelve months ended June 30, 2004 was 2.8 times and 4.6 times, respectively.

WIND POWER INDUSTRY OVERVIEW

Wind Generation Process

Wind can be used to generate electricity through wind turbines which face the prevailing wind direction. A wind energy system transforms the kinetic energy of wind into electrical energy that can be harnessed for practical use. The following diagram illustrates the main components of a typical wind turbine:

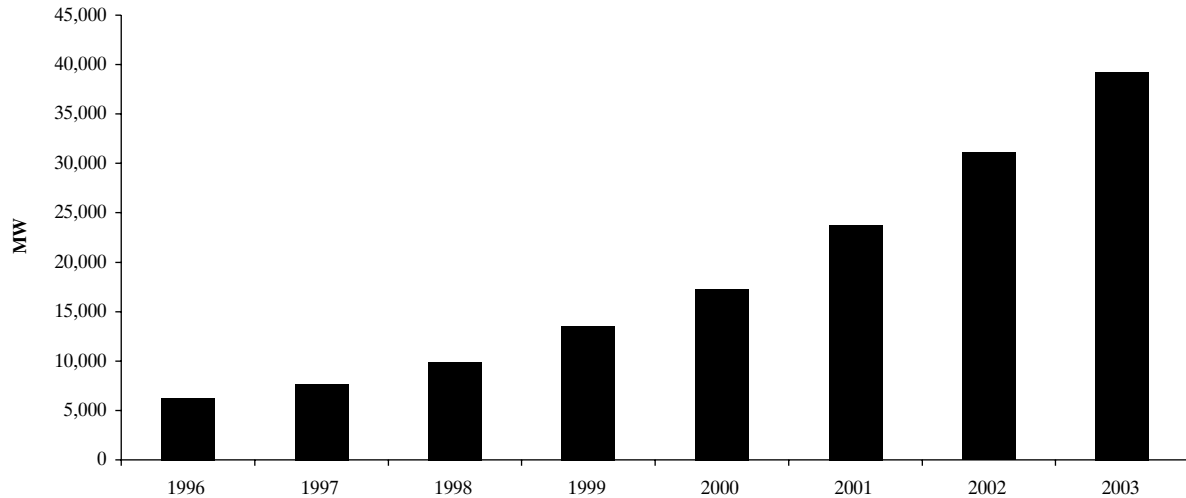


When the wind blows, it causes the rotor blades on the wind turbine to rotate the hub to which they are attached. The rotation of the hub turns a generator that produces electricity. The electricity is transmitted to a transformer and from there, the electricity is transferred to a substation for delivery to the electricity transmission grid.

Growth of Wind Power Generation

Currently, wind energy is the world's fastest growing energy source, increasing in excess of 30% annually for the past five years. According to the American Wind Energy Association ("AWEA"), some 8,133 MW of new capacity was installed worldwide during 2003, an increase of 26% over 2002, bringing total world-wide installed capacity to over 39,000 MW. Furthermore, projections indicate that global wind energy capacity will be 95,000 MW by 2008 and 194,000 MW by 2013⁽¹⁾.

Cumulative Global Wind Power Capacity

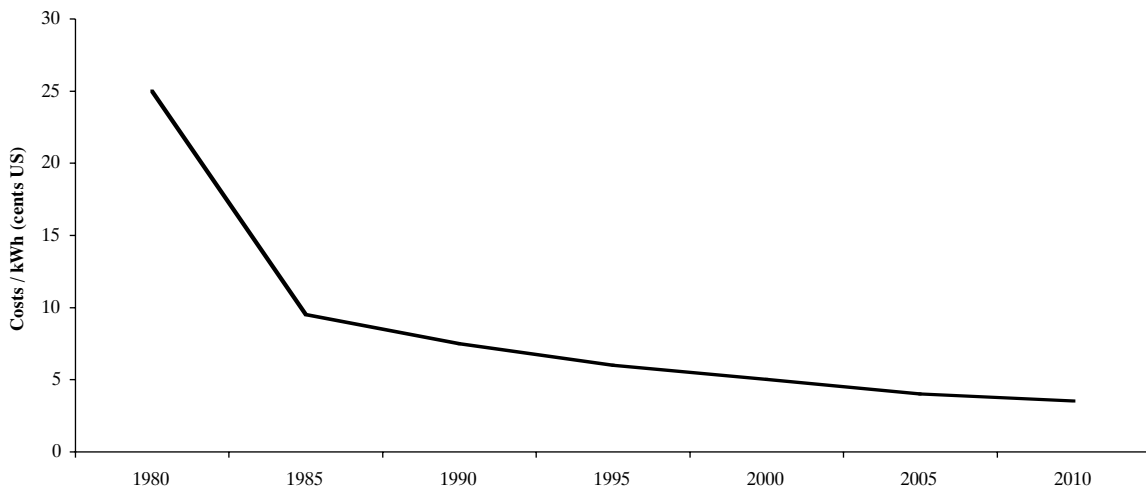


Source: AWEA

Production Costs

Wind energy plants in North America at favourable wind sites can generate electricity at a price that is competitive with many conventional energy technologies. The cost of wind energy production is expected to decrease as technology improvements continue to increase the efficiency of wind turbines.

Historical and Projected Wind Energy Costs

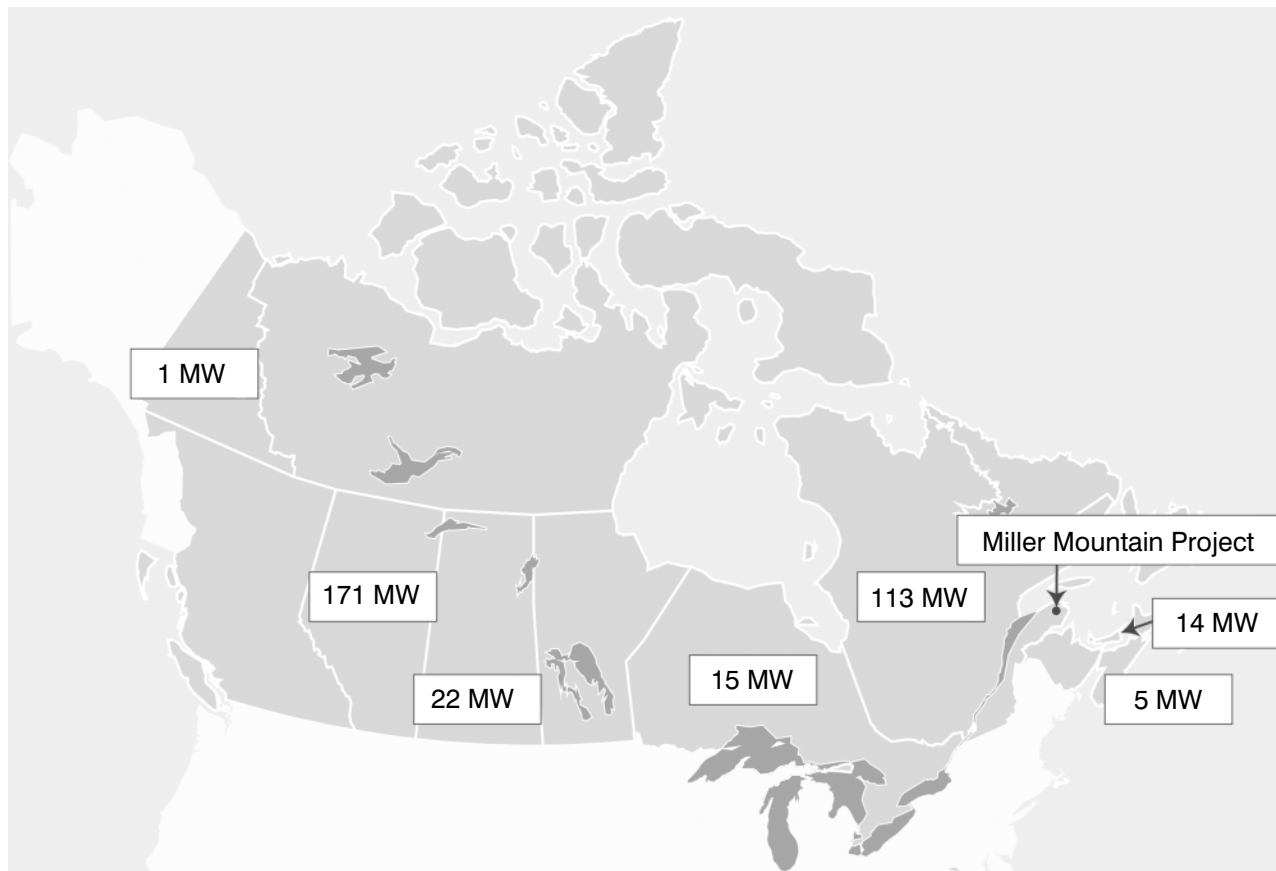


Source: CanWEA

(1) Figures are based on year-end national estimates reported by wind and renewable energy associations and other resources.

Wind Power in Canada

The Canadian Wind Energy Association (“CanWEA”) reports that Canada currently has commercial installed capacity of 341 MW of wind energy. As an example of the projected future growth of this source of electricity generation, developers representing approximately 4,000 MW of proposed wind energy projects have registered letters of interest with Natural Resources Canada for the federal Wind Power Production Incentive (“WPPI”). Canada has a number of regions which are favourable for the development of wind power projects. Most development in Canada to date has been in southern Alberta and the Gaspé region of Québec.



Source: CanWEA

Canadian Government Support

In the “Climate Change Plan for Canada”, released in 2002, the Government of Canada announced that, in order to achieve larger emissions reductions, reliance on cleaner energy will be essential. This climate change plan establishes a minimum target of 10% of new electricity generating capacity in Canada to come from renewable sources. Methods of achieving this target include expanded production incentives for developing and applying new technologies, renewable portfolio standards in the provinces, increased efforts to develop market demand and a proposed emissions trading system. The Government of Canada has been supportive of the development of wind energy in Canada. WPPI is one example of such support.

Wind Power Production Incentive

The WPPI is a Government of Canada program that provides incentive payments to producers of wind energy. The federal government has indicated that the WPPI will only be available to developers of the first 1,000 MW of new installed wind energy generation capacity between 2002 and 2007 for a period of 10 years after the commissioning of such developers’ respective projects. The federal government has committed to provide \$260 million for the WPPI. The incentive is structured to reflect the decline in premiums for wind energy over

time. The incentive can be claimed for every kilowatt hour of net production during the first ten years of production as follows:

<u>Project Commissioning</u>	<u>Amount of Financial Incentive for the Ten-Year Period</u>
April 1, 2002 to March 31, 2003	\$ 0.012 per kWh
March 31, 2003 to March 31, 2006	\$ 0.01 per kWh
After March 31, 2006 to March 31, 2007	\$ 0.008 per kWh

Any WPPI payments in connection with the Miller Mountain Project will be shared as to 50% each by Hydro-Québec, the major producer, transmitter and distributor of electricity in the Province of Québec, (“Hydro-Québec”) and Miller LP.

Advantages of Wind Energy

Shorter Construction Time Frame

Wind energy projects are relatively simple to construct and can be constructed within a much shorter time frame as compared to traditional electricity generation projects. The shorter time frame for construction of a wind facility reduces risks associated with construction delays and cost overruns.

Low Operating Costs

Wind energy projects do not have fuel costs. Operating expenses for a wind energy project are lower than many other traditional methods of energy production.

Operational Flexibility

Wind turbines can be added to an existing site quickly in order to increase overall system reliability and performance. Wind energy facilities are compatible with agricultural and other uses, thereby permitting sites to be erected in areas where traditional electricity generation facilities might cause substantial harm.

Reliability

Modern wind turbines are very reliable. Availability, a measure of an electricity generation system’s reliability, is calculated as the percentage of time that an energy system is able to operate relative to total time available. The amount by which availability is less than 100% is normally attributable to annual scheduled maintenance and unscheduled outages. According to AWEA, availability for modern wind turbines is typically over 95%.

Environmentally Preferred

Wind energy facilities do not produce any greenhouse gas emissions or contribute to the development of acid rain, both of which have significant negative impacts on the environment.

Availability of Long-Term Contracts

Wind energy projects will likely continue to be developed with long-term power purchase agreements due to a number of factors, including: (i) the ability of wind energy projects to offer stable long-term electricity generation; (ii) the ability of purchasers to secure emission reduction credits or other long-term “green” credits from the use of renewable energy; and (iii) public and regulatory policies adopted in North America and Europe to encourage the development of renewable sources of electricity.

Factors Affecting Wind Energy Production Performance

Wind energy projects depend on wind which is naturally variable. Therefore, the level of production on a day-to-day basis is also variable. However, long-term historical records and site-specific measurements allow for a monthly or annual average or “mean” wind speed and wind energy production to be estimated using statistical analysis. Expected annual production for a wind turbine is calculated as:

$$\text{Annual Production (MWh)} = \text{Turbine Capacity (MW)} \times \text{No. hours in one year} \times \text{Capacity Factor (percent)}$$

Turbine capacity, measured in megawatts, is an indication of the energy production capability of a wind turbine. Current utility-scale land-based wind turbines have a capacity ranging from less than one MW to over two MW.

As a practical matter, a wind turbine does not operate every hour of the year. Capacity factor is a measure of the productivity of an electricity generating source, and is calculated as the percentage of electricity that an electricity-generating source is expected to produce, relative to the maximum theoretical production in a given period of time. A wind turbine at a site that has a theoretical maximum production of 100 MWh per year, for example, may only provide 32 MWh per year. The capacity factor of such a turbine would be 32%. There are a number of factors that prevent a wind-powered electricity-generating turbine from operating at its theoretical maximum. The primary factor is mean wind speed, and the output of a wind turbine varies with wind speed. The rated capacity of a turbine is only produced when the wind speed is higher than a specific level. This specific level is in the range of 13-15 metres per second, for the Vestas V80 turbine. The wind speed at any given site varies about a mean value. The mean value is often in the range of 6-10 metres per second. The turbine capacity factor is also affected by such things as air turbulence or wake caused by other turbines; the topography, or other obstructions; extreme conditions such as low temperatures; and utility downtime or other disruptions. Therefore, it can be expected that the turbine will be operating for significant periods of time at power outputs less than the rated capacity.

In general, wind energy projects have capacity factors ranging from 25% to 40%, depending on various site-specific factors. The expected capacity factor of the Miller Mountain Project is approximately 41% at a 50% confidence level, i.e., the probability is 50% that it will exceed the expected capacity factor. 41% is considered to be a high capacity factor in comparison to most locations.

MILLER MOUNTAIN WIND ENERGY PROJECT

Project Overview

Site Location

The Miller Mountain Project site is located northeast of the town of Murdochville on the Gaspé peninsula in eastern Québec, approximately 35 kilometres south of the St. Lawrence River and 80 kilometres west of the Town of Gaspé. Murdochville was originally developed around a local copper mine and smelter complex, which closed in 2002, although there continues to be commercial logging activities in the region. The town is well served with infrastructure to facilitate these industrial activities, including a provincial highway and an existing transmission line. The area is a sparsely settled tourist region with extensive fishing, hunting, and snowmobiling.

The wind farm will be developed around Miller Mountain, located northeast of the town of Murdochville. The area is characterized by a series of forested ridges and mountaintops, where elevations range from 350 meters to 850 meters. The ridges around Miller Mountain are among the highest points on the Gaspé peninsula, providing exposure to the predominant northwesterly winds. The property in the region is generally Crown land.

The site is close to major power transmission lines, including a 161 kV line running north from Murdochville to connect to the main Hydro-Québec transmission grid. This line will transmit the electricity produced at the Miller Mountain Project. The interconnection will be made through an adjacent substation to be built for the Miller Mountain Project which will then be connected via a new dedicated line to be built by Hydro-Québec to an existing Hydro-Québec substation on the transmission line.

Lease Rights

The Miller Mountain Project will be built on land leased from the Province of Québec. On December 15, 2002, Miller Mountain Wind Power Energy Inc. (“Millerco”), entered into an option agreement (the “Lease Option Agreement”) with the Province of Québec through the Ministry of Natural Resources of Québec (“MNR”) for the right to build a wind farm on a defined 35 square kilometre area of Crown land. By letter dated July 27, 2004, the MNR confirmed that the leases would be issued to Miller LP. Under the Lease Option Agreement, the Government of Québec has agreed to enter into specific leases for each turbine site.

A site lease will be executed for each individual turbine location (each with an area of 10,000 square meters) and the Miller Mountain Project's substation. Each site lease will provide for the MNR's undertaking to authorize necessary roads for each lease and to provide the rights of way necessary for the electrical lines to interconnect the turbines to each other (i.e. rights of way between the turbines) and to the substation, and operate the Miller Mountain Project. The form of the standard lease agreement is a part of the Lease Option Agreement. The lease rental will be \$2,000 per site per year, adjusted once every four years for the Québec consumer price index. The lease term for each site will be 25 years, renewable for an additional 15 years. The site leases must be signed before December 14, 2005, the date of the expiry of the Lease Option Agreement.

Site Evaluation and Project Development

Environmental Assessment and Other Authorizations

Miller LP has been granted permits by the Québec Ministry of the Environment for the installation and operation of up to a total of 54 MW of wind turbines. A single environmental permit is sufficient for federal and provincial purposes.

The Federal government has completed the environmental screening decision as part of its approval process for the WPPI program.

Vestas-Canadian Wind Technology Inc. ("Vestas") will be responsible for obtaining building and hauling permits under the terms of the engineering, procurement and construction agreement and intellectual property license between Miller LP and Vestas dated as of August 5, 2004 (the "EPC Agreement").

Although Miller LP has the most important licenses and permits, it does not currently hold all of the licenses and permits required in connection with the construction and operation of the Miller Mountain Project, although it expects to receive such licenses and permits in the ordinary course without substantial change to the Miller Mountain Project.

Wind Evaluation and Wind Study

Forecast energy production is based on a long-term wind speed and energy production analysis prepared by Garrad Hassan, an independent engineering consulting firm using data from AWS Scientific, Inc. ("AWS"), an Albany, New York-based wind and climate consultant, which oversaw the collection and analysis of the wind data and prepared turbine layouts. In addition, Millerco engaged The Groupe Ohmega Inc., a Québec contractor, to erect the wind measuring towers and collect wind data. See "Independent Wind and Engineer's Reports".

Power Purchase Agreement

All electric energy generated by the Miller Mountain Project will be sold to Hydro-Québec under a 21 year power purchase agreement (the "PPA"), at a fixed escalating energy tariff. The PPA was executed on December 12, 2002 by 3Ci Inc. ("3Ci") and Hydro-Québec and assigned by 3Ci to Millerco on January 9, 2003. The PPA was further assigned to Miller LP on July 30, 2004.

Pursuant to the terms of the PPA, Miller LP will sell and Hydro-Québec will purchase all electric energy generated by the Miller Mountain Project and available for delivery, net of the auxiliary load of the project and any electrical losses to the delivery point. The term of the agreement will be for a period of 21 years from the date the Miller Mountain Project begins commercial operation (the "Commercial Activation Date").

The energy purchase price will be set at \$0.056 per kWh in the first contract year, beginning on the Commercial Activation Date, and the energy purchase price will increase 1.5% each year thereafter. Hydro-Québec will purchase and pay for electric power delivered before the Commercial Activation Date at the spot price for electric power published by Hydro-Québec. As a condition of the PPA, Miller LP must pay Hydro-Québec 50% of the value of the federal government WPPI payment received by Miller LP for the sale of electric energy to Hydro-Québec.

Hydro-Québec will pay for electric energy monthly in arrears based on the current energy purchase price and the quantity of electric energy delivered to Hydro-Québec, as measured by Hydro-Québec's metering equipment. Hydro-Québec will be required to pay each invoice within 21 days of receipt.

There is no minimum or maximum production or delivery requirement under the PPA and no capacity charge. There also is no penalty for a delay in commercial operation. However, Hydro-Québec may terminate the PPA if the Miller Mountain Project has not reached its Commercial Activation Date by April 30, 2006. Hydro-Québec will have the right to terminate the PPA under certain other conditions.

Hydro-Québec has all existing and future rights to greenhouse gas credits generated by the Miller Mountain Project.

Interconnection Agreement

The Miller Mountain Project will deliver power to Hydro-Québec in accordance with the terms of an interconnection agreement entered into by Miller LP and Hydro-Québec (the “Interconnection Agreement”).

The Interconnection Agreement sets forth the terms and conditions of the interconnection, the time frame for completing the interconnection, and the required connection diagrams. Under the terms of the Interconnection Agreement, Hydro-Québec will reimburse Miller LP upon completion of construction for up to \$5.1 million, for the cost of transformers and related electrical distribution equipment. Miller LP expects to incur and receive reimbursement for the full \$5.1 million available under the Interconnection Agreement.

Engineering, Procurement and Construction Agreement and Intellectual Property Licence

The EPC Agreement between Miller LP and Vestas provides for the construction of the Miller Mountain Project by Vestas, commencing upon issuance of a notice to proceed by Miller LP. A notice to proceed was issued on August 5, 2004. Scheduled substantial completion for the Miller Mountain Project is March 6, 2005, subject to extensions pursuant to any change order.

The EPC Agreement is a fixed-price contract for all aspects of the Miller Mountain Project comprising the wind turbines and the balance of plant, and includes civil, electrical and mechanical construction work, interconnection facilities to the electricity utility, pad mount transformers, substation, communication system and associated infrastructure.

The contract price under the EPC Agreement is payable on the achievement of specified milestones, including milestones related to packaging for shipment of wind turbines from Denmark and towers from the location of manufacture, delivery at the project site and completion of the installation and construction thereof at the Miller Mountain Project, including associated balance of plant. The contract price may only be varied pursuant to a change order to the scope of work including any change order which may be required due to an event of force majeure, which is defined to include certain specified wind speeds during the turbine equipment installation and acceptance testing phases of construction, as well as wind speeds outside the operating parameters of the wind turbines post construction, and unknown soil and subsurface conditions at the Miller Mountain Project site.

The performance obligations of Vestas under the EPC Agreement will be secured by a guarantee of Vestas Wind Systems A/S (“Vestas Wind A/S”), the ultimate parent company of Vestas. Vestas will be obligated to pay liquidated damages if substantial completion of the Miller Mountain Project is not achieved by March 6, 2005 (the date scheduled for substantial completion of the Miller Mountain Project), subject to extensions to the scheduled substantial completion date due to an event of *force majeure*. Furthermore, if substantial completion of the applicable phase has not occurred by March 6, 2005, such event shall constitute an event of default of Vestas under the EPC Agreement.

The EPC Agreement contains a basic one-year balance of plant warranty from the date of substantial completion of the Miller Mountain Project, comprising an installation warranty and a warranty that the balance of plant will be built in a workmanlike manner, using new materials, and will remain free from defects in materials and workmanship. The EPC Agreement also contains a non-exclusive, limited license, at no cost to Miller LP, to use the wind turbine and communication system software for the operating life of the wind turbine equipment.

Warranty, Maintenance and Service Agreements

The warranty, maintenance and service agreements (the “WMS Agreements”) between Miller LP and Vestas dated as of August 5, 2004 provide for certain warranties of Vestas and related performance obligations, which will be secured by a guarantee of Vestas Wind A/S, in connection with the wind turbines at the Miller Mountain Project, as well as the ongoing service and maintenance obligations in connection with the wind turbines. Those warranties relating to power curve performance, and availability of the Miller Mountain Project as a whole, commence on the date of substantial completion and terminate five years after final completion of the Miller Mountain Project. The service and maintenance obligations of Vestas in connection with the wind turbines commence on substantial completion of each wind turbine and terminate five years after final completion of the Miller Mountain Project. If a breach of any of these warranties occurs, Vestas is required to effect the necessary repairs, including a retrofit of all the wind turbines if the same defect is found to exist in a specified number of the wind turbines in a rolling two year period during the warranty term.

The wind turbine-specific warranties require that each turbine be properly assembled, erected and installed, using new materials and that each wind turbine is free from defects in design, material and workmanship.

The Project-wide warranty relating to power curve performance requires an initial demonstration that the wind turbines comprising the Miller Mountain Project as a whole operate at a level of power curve performance at least equal to the warranted level of power curve performance (95%).

The availability warranty is a warranty applied on a project-wide basis which requires that the wind turbines of the Miller Mountain Project demonstrate an average availability, or reliability, at least equal to the warranted level of availability (90% in the first six months following substantial completion of the Miller Mountain Project and 95% thereafter), on a continuous basis throughout the warranty period.

Vestas will be entitled to set off superior power curve performance (up to 100%) or availability up to 97% against a deficiency in the other when determining the amount of liquidated damages. Vestas will also be entitled to a bonus of 50% of incremental revenue earned where availability exceeds 97%.

The service and maintenance obligations set forth in the WMS Agreements require Vestas to maintain and service the wind turbines in accordance with industry standards and the operations and procedures manual established for the wind turbines. These obligations include scheduled maintenance, unscheduled maintenance, repair and replacement where necessary, regular status meetings with representatives of Miller LP, preparation of regular service reports, maintaining an operating logbook for each wind turbine, and coordination of operations and maintenance activities for the balance of plant with contractors retained by Miller LP for such purpose.

Wind Impact Agreement

3Ci intends to develop a wind energy project (the “Murdochville Project”) which may have turbines within 10 kilometres of the turbines of the Miller Mountain Project. Miller LP has entered into a wind impact agreement with 3Ci, NPI, CT, Mount Miller Construction and Services Inc. (the “Developer”), Miller Mountain GP Inc., a corporation existing under the laws of Canada (“Miller GPCo”) and Millerco (the “Wind Impact Agreement”) to address any impact the Murdochville Project may have on the wind speed powering the turbines at the Miller Mountain Project. Pursuant to the terms of the Wind Impact Agreement, payments will be made to Miller LP by 3Ci to compensate Miller LP for any loss in revenues as a result of a decrease in its energy production as a result of the wind turbines of the Murdochville Project, as determined by Garrad Hassan. Based on an analysis by Garrad Hassan, the impact is expected to be approximately 1% of annual revenues of the Miller Mountain Project.

Management Agreement

Miller LP has entered into a management agreement with the Manager of the Fund (the “Management Agreement”) for certain management services to be provided to the Miller Mountain Project, once substantial completion of the Miller Mountain Project has occurred. The fee payable for these services shall be \$25,000 per month, to be escalated annually in accordance with the Canadian CPI and two-thirds of this fee will be

subordinated to cash distributions of the Base Amount by Miller LP payable to CT, as the holder of Class A Priority Units.

INDEPENDENT WIND AND ENGINEER'S REPORTS

Miller Mountain Wind Report

Forecast energy production for the Miller Mountain Project is based on long-term wind speed and energy production data which has been compiled by AWS, and an independent assessment and analysis prepared by Garrad Hassan. Garrad Hassan is a leading independent engineering consulting firm which provides independent expert advice on all aspects of wind energy projects. Garrad Hassan has produced a study entitled "Assessment of the Energy Production of the Proposed Miller Mountain Wind Farm", dated June 30, 2004 (the "Garrad Hassan Study"), which uses on-site data, collected by third parties, from December 19, 2000 through January, 2004.

The Garrad Hassan Study examined wind speed and direction frequency distribution at the location of the first meteorological mast to collect wind speed data at 40 metres in height. Flow modelling was carried out to determine the hub height wind speed variations over the site, relative to the anemometry.

Garrad Hassan analyzed and summarized the available on-site wind data and developed long-term site mean wind speed and energy forecasts. The long-term mean wind speed at the Miller Mountain Project was estimated based on a three-year on-site reference tower data record and concurrent measurements with three tall towers installed beginning in the spring of 2003. The observed mean wind speed for the period was 8.8 meters per second at 40 meters. The predicted mean speed at a 67-meter hub height at the three additional Miller Mountain tall towers ranged from 8.8 meters per second to 9.2 meters per second. The site's energy production was simulated using WindFarmer software and the 1.8 MW Vestas V80 turbine.

Garrad Hassan estimated the long-term mean wind speed over all turbine locations at hub height to range from 7.8 to 9.7 meters per second with an average of 8.8 meters per second. The projected energy capture of the proposed wind farm is 195.9 GWh per year.

Based on the results from the analysis of the wind data, Garrad Hassan made the following conclusions concerning the Miller Mountain Project site and wind regime:

1. The long-term mean wind speed averaged over all turbine locations at hub height is estimated to be 8.8 metres per second.
2. The projected energy capture of the proposed Miller Mountain Project is 195.9 GWh per year
3. The net energy prediction presented above represents the long-term mean, 50% exceedance level, for the annual energy production of the wind farm. These values are the best estimate of the long-term mean value to be expected from the project. There is therefore a 50% chance that, even when taken over very long periods, the mean energy production of the Miller Mountain Project will be less than the value given in the table.

The results of the Garrad Hassan Study are summarized in the table below.

Estimated Net Energy Production (10 year average)

50% Probability of Exceedence	195.9 GWh per year
75% Probability of Exceedence	184.0 GWh per year
90% Probability of Exceedence	173.3 GWh per year
95% Probability of Exceedence	166.9 GWh per year

Independent Engineer's Report

Garrad Hassan was retained by CT, on behalf of the Fund, to conduct an independent engineering due diligence analysis of the Miller Mountain Project.

In its report dated August 6, 2004, Garrad Hassan presented the results of its technical review of the Miller Mountain Project, which include a review of the engineering and contract tasks associated with the EPC

Agreement, along with an appreciation of the site, turbine review, balance of plant review, contract and specifications review. In particular, in preparing its reports, Garrad Hassan has carried out the following activities:

- a. review of site data;
- b. technical review of the contract documentation associated with the Miller Mountain Project, including the EPC Agreement, the WMS Agreements, the PPA and the Interconnection Agreement;
- c. review of turbine specifications and characteristics of the Vestas V80 1.8 MW wind turbine; and
- d. technical review of the Miller Mountain Project financial assumptions.

Garrad Hassan has made certain assumptions within the independent engineer's report. While Garrad Hassan believes that these assumptions are reasonable, they are dependent upon future events, and actual conditions may differ from those assumed. Garrad Hassan has used and relied upon certain information provided to it by sources that it believes to be reliable. While Garrad Hassan believes the use of such information was reasonable for the purposes of the independent engineering due diligence analysis, Garrad Hassan offers no assurances with respect thereto and some assumptions may vary significantly due to unanticipated events and circumstances. To the extent that future conditions differ from those assumed, the actual results may vary from those projected. The independent engineer's report summarizes Garrad Hassan's work up to the date thereof. Thus, changed conditions occurring or becoming known after such date could affect the information presented.

On the basis of Garrad Hassan's review of the above listed items, the following conclusions have been listed in the independent engineering due diligence analysis of the Miller Mountain Project:

1. The Vestas V80 1.8 MW wind turbines are based on the Vestas V80 2.0 MW unit, with modifications for the North American market. The Vestas V80 2.0 MW is considered a proven method of energy production and it is reasonable to assume that the V80 1.8 MW will provide similar performance.
2. Garrad Hassan expects that the wind turbines will be capable of performing at industry standard levels of power performance and availability.
3. The Vestas V80 1.8MW turbine is generally suitable for the site.
4. The Miller Mountain Project turbines have been granted a Statement of Compliance by Germanischer Lloyd, in line with IEC Class IA conditions. This certification confirms that the turbines have a design life of 20 years when subjected to the conditions defined by IEC Class IA.
5. Garrad Hassan has been advised of a third wind farm development in the vicinity of the Miller Mountain Project. The impact of the proposed development, based upon layout and turbine information provided by the Developer, has been estimated to be a reduction of energy output by 1%.
6. The wind turbine generator testing and commissioning procedures are technically acceptable.
7. Turbine maintenance activities are described within the WMS Agreements and are in line with standard industry practice.
8. The draft timeline forecasts a substantial completion date of early March 2005. The timeline provides for a reasonable contingency for turbine installation and commissioning activities. However, it is noted that much construction activity will take place during winter months. The contract allows for an uncapped extension of both time and cost for delays due to snow fall after November 1, 2004. Garrad Hassan considers that delays in turbine erection due to snow are possible but that such delays are unlikely to jeopardize the completion date.
9. The EPC Agreement contract price is at the lower end of the range of comparable costs for similar projects.
10. Vestas and Miller LP should be able to use a remote monitoring and management system to monitor and control the operation and performance of the Vestas V80 1.8 MW wind turbines.

VESTAS AND THE 1.8 MW VESTAS V80 WIND TURBINE

Overview of Vestas

Vestas A/S, after its merger with NEG-Micon A/S in December 2003, is the world's largest wind turbine manufacturer and is a publicly-traded company on the Copenhagen Stock Exchange. Vestas Wind A/S was formed in 1945 and entered the wind turbine generator business in 1979. Vestas Wind A/S is the parent of Vestas-American Wind Technology Inc. ("Vestas-America") which, in turn, is the parent of Vestas. Vestas-America is responsible for the sale, marketing and maintenance of wind power systems for projects in the Americas and the Caribbean.

Vestas Wind A/S supplies a full range of products, from individual wind turbines to the delivery of turnkey wind power systems and devotes itself to optimizing research and development, production, assembly, logistics and service. Vestas Wind A/S facilities are certified in accordance with ISO 9001 and ISO 14001.

In 2003, Vestas Wind A/S installed wind turbines generating approximately 1,812 MW worldwide, which was an increase of 10% over 2002, and represents a 22% market share of the wind turbine manufacturing industry. Net turnover or sales for 2003 was 1.65 billion Euros. As of December 31, 2003, over 13,450 Vestas Wind A/S wind turbines, accounting for over 15,000 MW, have been installed worldwide. Approximately 6,700 people are employed around the world at Vestas Wind A/S and its associated companies.

1.8 MW Vestas V80 Wind Turbine

The 1.8 MW Vestas V80, one of the world's largest commercial wind turbines, is a three-bladed upwind machine with a proven design that is a natural evolution of Vestas Wind A/S's successful megawatt-class turbines.

The 1.8 MW Vestas V80, designed specifically to meet North American market requirements but available worldwide, is based on the 2.0 MW Vestas V80 wind turbine which was introduced in 1999 and was designed specifically to meet European market requirements. The first 1.8 MW Vestas V80 prototype was installed in 2001 with commercial installation completed in 2002. With 1,019 units in operation worldwide, as of December 31, 2003, the 1.8 MW Vestas V80 continues to be one of the most widely-used wind turbines in its class. Since its debut in Europe, the 1.8 MW Vestas V80 has had a proven performance record confirming the efficiency and reliability of Vestas A/S's technology.

THE TRANSACTION

The Miller Mountain Project is a 54 MW wind power project being developed in the Gaspé region of Québec, near Murdochville by Miller LP. When completed, the Miller Mountain Project will use 30 1.8 MW Vestas V80 wind turbines manufactured by Vestas Wind A/S of Denmark and sell the power produced by these turbines to Hydro-Québec under a 21 year PPA.

Pursuant to a Share Purchase and Subscription Agreement between Millerco, CT, Miller GPCo, the Developer, Miller LP, NPI and 3Ci dated August 5, 2004, CT acquired control of and a majority of the economic interest in the Miller Mountain Project through an acquisition of all of the shares of Millerco and Miller GPCo from NPI and 3Ci for approximately \$2.255 million in cash and assumption of liabilities of approximately \$2 million, and agreed to subscribe for 21,120 Class A Priority Units for a total consideration of \$52.8 million.

Immediately prior to the transactions described in the previous paragraph, Miller LP purchased, pursuant to an asset transfer agreement with Millerco, all of the interest of Millerco in the Miller Mountain Project and assumed certain liabilities of Millerco. Miller LP will be responsible for the completion of construction and ensuring the successful commissioning of the Miller Mountain Project together with obtaining all of the required approvals and permits, with costs and performance guaranteed by the Developer.

The Developer subscribed for 1,000 Class B Subordinated Units of Miller LP for cash of \$1,000, an undertaking to provide certain construction management services and an undertaking to fund Construction Cost Overruns by subscribing for Class C Units as described below.

The Fund has made arrangements with the Developer that ensure that the Fund will make payments of an aggregate of \$95,055,100 (the “Transaction Value”) in connection with the Transaction, and no more. If the Transaction Value exceeds the Completion Costs, the Developer is entitled to receive the excess as a distribution on its Class B Subordinated Units. If, however, Completion Costs exceed the Transaction Value, the Developer is required to fund this excess (“Construction Cost Overrun”) by way of additional capital contributions to Miller LP to purchase Class C Units. Completion Costs include construction, testing, commissioning and development expenses, including payments under the EPC Agreement; lender fees; specified amount of working capital; interest expenses; other costs and fees; amounts required for the Acquisition, including assumed liabilities; and amounts required to fund interest on the Debentures and distributions on any Trust Units issued on the conversion of Debentures during construction after March, 2005; less any recoveries, refunds or grants receivable in connection with Miller Mountain Project and any incidental revenue and interest earned during the construction of the project. Based on the Manager’s estimate of Completion Costs, the Developer is expected to receive a distribution in the amount of \$2,000,000, plus a portion of the \$4,000,000 contingency that is not used, upon completion of the Miller Mountain Project as a result of these arrangements. NPI has guaranteed the Developer’s undertaking to fund Construction Cost Overruns.

MILLER LP

Miller LP is a limited partnership established under the laws of Québec. Miller LP was created for the purpose of acquiring the rights to develop, construct, own and finance the Miller Mountain Project, and operate, maintain, and sell electricity generated from the Miller Mountain Project.

Partnership Units

Miller LP is authorized to issue an unlimited number of General Units, Class A Priority Units, Class B Subordinated Units and Class C Units. Miller LP has outstanding 1 General Unit held by Miller GPCo, 21,120 Class A Priority Units held by CT, and 1,000 Class B Subordinated Units held by the Developer.

The limited partners of Miller LP will have limited voting and approval rights in accordance with the limited partnership agreement, amended and restated as of August 5, 2004, between Miller GPCo, CT and the Developer (the “Limited Partnership Agreement”). The Class A Priority Units which have been issued to CT are sufficient to ensure that, on any matter requiring voting by the limited partners, CT can outvote the Class B Subordinated Units held by Developer, a corporation controlled by NPI and 3Ci. Class B Subordinated Units are entitled to vote separately as a class in two circumstances only: (1) a proposal to change the business as defined in the Limited Partnership Agreement (for example, a proposal to expand the Miller Mountain Project beyond 54 MW); and (2) a proposal to amend the Limited Partnership Agreement in a manner which would impact the economic position of the Class B Subordinated Units. In either case, Miller LP may decide to purchase the Class B Subordinated Units at their fair market value as determined by an independent valuator if the Developer withholds from voting or votes against any such proposal.

The Limited Partnership Agreement also provides that, except in the cases of a reorganization, if there is a proposal to sell substantially all of the assets of the Miller Mountain Project, the sale will not proceed unless an independent valuator first confirms that the sale is at fair market value.

Class C Units are to be issued to the Developer if the Developer is required to make additional capital contributions to Miller LP to the extent that there is a Construction Cost Overrun. Such Class C Units shall be redeemed and such capital contributions shall be repaid out of available cash that would otherwise be paid to the holders of Class B Subordinated Units.

Cash Distributions of Miller LP

After completion of construction, the distributable cash flow of Miller LP in any fiscal year will be paid first to the holder of the Class A Priority Units as to \$5,786,880 (the “Base Amount”) (plus any amounts by which prior year’s distributions to the holder of Class A Priority Units had been less than the Base Amount and not subsequently paid). The Base Amount is cumulative, has priority over $\frac{2}{3}$ of the fee payable by Miller LP to the Manager and is designed to provide some assurances against the risk of a less than forecast energy production from year to year, resulting from any variability of wind at the Miller Mountain Project. The balance of the available distributable cash flow (after payment of that portion of the Manager’s fee that is subordinated to the Base Amount) will be paid as to 49.95% to the holder of the Class A Priority Units (i.e. CT), 49.95% to the Developer (whether in its capacity of holder of the Class B Subordinated Units or holder of Class C Units) and 0.1% to Miller GPCo as general partner.

For these purposes, the distributable cash flow is the earnings of Miller LP, as determined in accordance with generally acceptable accounting principles, before provision for interest, income taxes, depreciation and amortization, less (a) interest expense; (b) repayment of principal of any indebtedness; (c) capital maintenance expenditures, upgrade expenditures or renewal expenditures in excess of amounts reserved; and (d) any amounts placed into such reserves that Miller GPCo may determine to maintain under the terms of any credit agreement, plus (a) any amounts released from any such reserves and (b) two-thirds of the fee payable to the Manager.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

In connection with the Acquisition and the operation of the Miller Mountain Project, related parties of the Manager will receive compensation as follows:

1. NPI received \$255,000 on its sale of the shares of Millerco and Miller GPCo to CT. Miller LP also assumed the liabilities to reimburse the Developer and NPI for costs incurred in the development of the Miller Mountain Project to the date of the Acquisition including accrued management fees to NPI of \$210,000 (i.e. \$10,000 per month from November 1, 2002 to July 31, 2004).
2. Miller LP will reimburse the Developer for expenses incurred in connection with the provision of construction management services to Miller LP, which will include a monthly fee of \$10,000 payable to NPI in exchange for certain administrative services which NPI will provide to the Developer during the construction of the Miller Mountain Project.
3. The Developer, which is owned as to 50% by NPI, is entitled to receive, on final completion of the construction of the Miller Mountain Project, a special distribution equal to the amount, if any, by which the Transaction Value exceeds the Completion Costs. See “The Transaction”.
4. The Developer will be entitled to receive, in any year, 49.95% of the amount by which available cash flow exceeds the Base Amount, as a distribution on the Class B Subordinated Units or a redemption of the Class C Units, as applicable. See “The Transaction”.
5. The Manager will be appointed manager of the Miller Mountain Project and will be responsible for all management functions in return for a fee of \$300,000 escalating annually according to changes in the Canadian consumer price index.

The Independent Committee unanimously determined that the payments to NPI and the Manager relating to the sale of the Miller Mountain Project to the Fund and entitlement to cash flow distributions and management fee arrangements over the life of the Miller Mountain Project are fair and reasonable from a financial point of view to the Fund, its affiliates and the Unitholders. In making its determination, the Independent Committee received advice from independent legal counsel and obtained independent financial advice as to the fairness and reasonableness of such payments and entitlement to cash flow distributions and management fee arrangements. See “Summary Description of the Business of the Fund — Transaction Approvals and Procedure”.

The Manager: (a) provides administrative services to the Fund, pursuant to an administration agreement; (b) provides operating and management services to IFPC pursuant to a management agreement; (c) provides loan administration services in connection with the loan by IFPC to PIC; and (d) provides administrative

services to and manages the investments of CT. See “Management and Administration Agreements” on page 9 of the Fund’s management information circular dated March 10, 2004.

STABILITY RATINGS OF THE TRUST UNITS

S&P has developed a rating scale to assist investors in understanding the risk profile of an investment in an income trust. The ratings in this scale are referred to as stability ratings. Through its rating scale, S&P characterizes the stability of the cash distribution stream among various income trusts. The stability ratings assess both the variability and sustainability of the cash distribution stream payable on the securities of an income trust in relation to other Canadian rated income trusts over the medium to long-term. S&P assigns a single stability rating ranging from SR-1 through SR-7, with SR-1 (least variable and most sustainable) being the highest rating and SR-7 (most variable and least sustainable) being the lowest. S&P does not publish a stability rating for all income trusts.

At the Fund’s request, S&P has indicated, as of August 5, 2004, that, after giving effect to the Transaction, the income fund stability rating on the outstanding Trust Units, will be “SR-2”, with a negative outlook, under the income fund stability and sustainability rating scale established by S&P.

Dominion Bond Rating Service Limited (“DBRS”) issued an unsolicited report June 29, 2004 before the announcement of the Acquisition on the Fund and attributed to the Fund a stability rating of “STA-2 (low)” under its stability rating system. On August 9, 2004, DBRS placed the Fund “Under Review With Developing Implications” as a result of the announcement of the transactions described in this Prospectus. The DBRS stability rating provides an indication of both the stability and sustainability of an income fund’s distributable income. Rating categories range from STA-1 to STA-7, with STA-1 being the highest. In addition, DBRS further separates the ratings into “high”, “middle”, and “low” subcategories to indicate where they fall within the rating category. Ratings take into consideration the seven main factors of: (1) operating and industry characteristics; (2) asset quality; (3) financial flexibility; (4) diversification; (5) size and market position; (6) sponsorship/governance; and (7) growth.

Such ratings are not a recommendation to buy, sell or hold Trust Units and they are subject to revision, suspension or withdrawal at any time by S&P and DBRS, as applicable.

DETAILS OF THE OFFERING

The following description of the Debentures is a brief summary of their material attributes and characteristics, which does not purport to be complete and is qualified in its entirety by reference to a trust indenture to be dated the date of closing of this offering (the “Indenture”). The following summary uses words and terms which will be defined in the Indenture. For full particulars, reference is made to the Indenture.

The Debentures will be issued under and pursuant to the provisions of the Indenture between the Fund and the Computershare Trust Company of Canada, in its role as trustee under the Indenture (the “Debenture Trustee”) which will be dated the date of closing of this offering. The Debentures will be limited in the aggregate principal amount to \$65,000,000. The Fund may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At the closing of this offering, the Debentures will be available for delivery in book-entry only form through the facilities of the Canadian Depository for Securities Inc. or its successor (“CDS”). Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “Details of the Offering — Book Entry, Delivery and Form”. No fractional Debentures will be issued.

The Debentures will bear interest from the date of issue at 6.50% per annum, which will be payable semi-annually on June 30 and December 31 in each year, commencing December 31, 2004; the first payment will include accrued and unpaid interest for the period from the Closing Date to December 31, 2004. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. At the option of the Fund and subject to applicable law, the Fund may deliver Trust Units to the Debenture Trustee who shall sell such Trust Units on behalf of the Fund in order to raise funds to

satisfy all or any part of the Fund's obligations to pay interest on the Debentures, but, in any event, the Debentureholders shall be entitled to receive cash payments equal to the interest payable on the Debentures. See "Details of the Offering — Unit Interest Payment Election".

The principal on the Debentures will be payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, by payment of Trust Units to satisfy, in whole or in part, its obligation to repay the principal amount of the Debentures, as further described under "Details of the Offering — Payment upon Redemption or Maturity", "Details of the Offering — Redemption and Purchase" and "Details of the Offering — Put Right Upon a Change of Control".

The Debentures will be direct obligations of the Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all Senior Indebtedness of the Fund as described under "Details of the Offering — Subordination". The Indenture will not restrict the Fund from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

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

Conversion Privilege

The Debentures will be convertible at the holder's option into fully-paid, non-assessable and freely tradeable Trust Units at any time prior to 5:00 p.m. (Toronto time) on the earlier of June 30, 2011 (the "Maturity Date") and the business day immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of \$12.50 per Trust Unit (the "Conversion Price"), representing a premium of approximately 10% over the closing price on the TSX on August 5, 2004, being a ratio of 80 Trust Units per \$1,000 principal amount of Debentures. No adjustment will be made to the Trust Units issuable upon conversion for distributions paid by the Fund on Trust Units or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Trust Units, accrued and unpaid interest in respect thereof for the period up to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding June 30 and December 31 in each year, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Trust Units; (b) the distribution of Trust Units (or securities convertible into or exchangeable for Trust Units) to all or substantially all holders of Trust Units by way of distribution or otherwise other than an issue of securities to holders of Trust Units who have elected to receive distributions in securities of the Fund in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to all or substantially all holders of Trust Units entitling them to acquire Trust Units at a price per Trust Unit of less than 95% of the then Current Market Price (as defined below under "Details of the Offering — Payment upon Redemption or Maturity") of the Trust Units or to acquire securities convertible or exchangeable for Trust Units at a conversion price or exchange price per Trust Unit at the date of issue of the securities which is less than 95% of the then Current Market Price for the Trust Units; and (d) the distribution to all or substantially all holders of Trust Units of any securities or assets (excluding cash dividends or distributions paid in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or change (other than a change resulting only from consolidation or subdivision) of the Trust Units or in case of any amalgamation, consolidation, merger or arrangement of the Fund with or into any other entity, or in the case of any sale, transfer or other disposition of the properties and assets of the Fund as, or substantially as, an entirety to any other entity, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such reclassification, change, amalgamation, consolidation,

merger, arrangement or sale, be exercisable for the kind and amount of securities or property of the Fund, or such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such reclassification, change, amalgamation, consolidation, merger, arrangement or sale if on the effective date thereof it had been the holder of the number of Trust Units into which the Debenture was convertible prior to the effective date of such reclassification, change, amalgamation, consolidation, merger or sale.

No fractional Trust Units will be issued on any conversion of the Debentures but in lieu thereof the Fund shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Redemption and Purchase

The Debentures may not be redeemed by the Fund on or before June 30, 2007. Thereafter, but prior to June 30, 2009, the Debentures may be redeemed at the option of the Fund, in whole at any time or in part from time to time, on not more than 60 days' and not less than 30 days' prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the Current Market Price determined on the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On or after June 30, 2009 and prior to the Maturity Date, the Debentures may be redeemed by the Fund, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

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

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

Payment upon Redemption or Maturity

On redemption or at the Maturity Date, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to any required regulatory approvals, unless an Event of Default (as hereinafter defined) has occurred and is continuing, elect to satisfy its obligation to repay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing Trust Units, in whole or in part, to the holders of the Debentures. The number of Trust Units to be issued will be determined by dividing the principal amount of the Debentures by 95% of the Current Market Price of the Trust Units on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Trust Units will be issued to Debentureholders but in lieu thereof the Fund shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

The term "Current Market Price" will be defined in the Indenture to mean the weighted average trading price of the Trust Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

Unit Interest Payment Election

Unless an Event of Default (as defined below) has occurred and is continuing, the Fund may elect, from time to time, subject to applicable regulatory approval, to issue and deliver freely-tradeable Trust Units to the Debenture Trustee in order to raise funds to satisfy all or any part of the Fund's obligations to pay interest on the Debentures in accordance with the Indenture (the "Unit Interest Payment Election"). The Indenture will provide that, upon such election, the Debenture Trustee shall (i) accept delivery of Trust Units from the Fund, (ii) accept bids with respect to, and consummate sales of, such Trust Units, each as the Fund shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short term Canadian Government Obligations,

which mature prior to the applicable interest payment date; (iv) deliver proceeds to Debentureholders sufficient to satisfy the Fund's interest payment obligations; and (v) perform any other action necessarily incidental thereto. The cash amount receivable by a holder in respect of interest will not be affected by whether or not the Fund elects to utilize the Unit Interest Payment Election.

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

Cancellation

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

Subordination

The payment of the principal of, and interest on, the 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 the Fund. "Senior Indebtedness" of the Fund will be defined in the Indenture as all indebtedness of the Fund (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 will not limit the ability of the Fund to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, 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 the Fund 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 the Fund (the "Senior Indebtedness Postponement Provisions"). The Debentures will also be subordinate to claims of trade creditors of the Fund.

Priority over Trust Unit Distributions

The Trust Indenture provides that certain expenses and liabilities of the Fund must be deducted in calculating the amount to be distributed to Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Put Right upon a Change of Control

Upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66⅔% or more of the votes represented by outstanding Trust Units by any person or group of persons acting jointly or in concert (a “Change of Control”), each holder of Debentures may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “Put Date”), the whole or any part of such holder’s Debentures at a price equal to 101% of the principal amount thereof (the “Put Price”) plus accrued and unpaid interest to the Put Date.

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

The Indenture will contain notification provisions to the effect that:

- (a) the Fund will promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control and the Debenture Trustee will thereafter give to the Debentureholders a notice of the Change of Control, the right of the Debentureholders to cause the Fund to purchase Debentures and the right of the Fund to redeem untendered Debentures under certain circumstances; and
- (b) a holder of Debentures, to exercise the right to require the Fund to purchase its Debentures, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder’s exercise of such right, together with a duly endorsed form of transfer.

The Fund will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Debentures in the event of a Change of Control.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain 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 will provide 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 the Fund receiving notice in writing specifying such default and requiring it to be cured; or (iv) certain events of bankruptcy, insolvency or reorganization of the Fund 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 will contain 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.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada be the beneficial owners of a majority of the outstanding Trust Units. The Fund may direct the Debenture Trustee to require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Manager or the Trustee becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Fund may make a public announcement thereof and direct the Debenture Trustee not to register a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident. If, the Fund determines that a majority of the outstanding Trust Units are held by non-residents, or such would be the case upon the conversion of the Debentures, the Fund may send a notice to non-resident Debentureholders, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Fund may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not less than 30 days. If the Debentureholders receiving such notice have not sold the specified number of Debentures or provided the Fund with satisfactory evidence that they are not non-residents within such period, the Fund may on behalf of such Debentureholder sell such Debentures and, in the interim, shall suspend the conversion rights attached to such Debentures. Upon such sale, the affected holders shall cease to be Debentureholders, and their rights shall be limited to receiving the net proceeds of sale of such Debentures.

Book Entry, Delivery and Form

Debentures will be issued in the form of fully-registered global Debentures (the “Global Debentures”) held by, or on behalf of, CDS, as custodian for its participants.

All Debentures will be represented in the form of Global Debentures registered in the name of the CDS or its nominee. Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “book-entry only” form (unless the Fund, in its sole discretion, elects to prepare and deliver definitive Debentures in fully-registered form). Beneficial interests in the Global Debentures, constituting ownership of the Debentures will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of beneficial owners, as direct and indirect participants of CDS (the “CDS Participants”). Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Debenture is purchased in accordance with the practices and procedures of the selling Underwriter or Underwriters. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures.

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

Transfer and Exchange of Debentures

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

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

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

Payments

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as the Depository or its nominee is the registered owner of a Global Debenture, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and the Debentures. The record date for the payment of interest will be that day which is the 15th day of the month preceding the applicable interest payment date (or the first business day following such date if not a business day). Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to CDS or its nominee, as the case may be.

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

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

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

Reports to Holders

The Fund shall file with the Debenture Trustee, within 15 days after the filing thereof with the OSC, copies of the Fund's annual report and the information, documents and other reports that the Fund is required to file with the OSC and deliver to Unitholders. Notwithstanding that the Fund may not be required to remain subject to the reporting requirements of the OSC, the Fund shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year, an audited annual financial statement of the Fund, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, interim financial statements of the Fund which shall, at a minimum, contain such information as is required to be provided in financial statements under the laws of Canada or any province thereof to security holders of a company with securities listed on the TSX, whether or not the Fund 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. The Fund 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 TRUST UNITS AND TRUST INDENTURE

The following is a summary of certain provisions of the Trust Indenture. For a complete description of the Trust Units and the Trust Indenture, reference should be made to the Trust Indenture.

Generally

An unlimited number of Trust Units may be authorized and issued pursuant to the Trust Indenture. The Fund currently has 47,915,943 Trust Units outstanding. The Trust Units each represent an equal undivided beneficial interest in the Fund. All Trust Units are transferable and share equally in all distributions from the Fund whether of net income, return of capital, return of principal, interest, dividends or net realized capital gains or other amounts in the net assets of the Fund in the event of termination or winding up of the Fund. All Trust Units carry one vote at meetings of Unitholders. No Unitholder will be liable to pay further calls or assessments in respect of the Trust Units. The Trust Units have no conversion or pre-emptive rights. Unitholders will not have statutory rights normally associated with the ownership of shares of a corporation, including, for example, the right to bring oppression or derivative actions.

Distributions

Unitholders of record on the last business day of each month are entitled to receive cash distributions of distributable income of the Fund in respect of that month. Such distributions are made by the 15th day of the following month.

Issuance of Securities

Securities of the Fund may be issued without Unitholder approval. 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 Fund) or warrants, options or rights to subscribe for, purchase or acquire Trust Units or any other securities of the Fund.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by

the Fund, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Trust Unit (“Redemption Price”) equal to the lesser of: (i) 95% of the “market price” (as defined in the Trust Indenture) of the Trust Units on the principal market on which the Trust Units are quoted for trading during the ten trading day period commencing immediately after the date on which the Trust Units are surrendered for redemption; and (ii) the “closing market price” (as defined in the Trust Indenture) on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are surrendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption during any calendar month shall be paid by cheque drawn on a Canadian chartered bank or a trust company on the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that (i) the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$200,000 (provided that such limitation may be waived at the discretion of Computershare Trust Company of Canada (the “Trustee”)), (ii) at the time such Trust Units are tendered for redemption the outstanding Trust Units of the Fund are not listed for trading on a stock exchange and are not traded or quoted on any other market which the Trustee considers, in its sole discretion, provides representative fair market value prices for the Trust Units, or (iii) the normal trading of Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the date that the Trust Units are tendered for redemption or for more than five trading days during the ten day trading period commencing immediately after the date on which the Trust Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then the redemption price for such Trust Units shall be the fair market value thereof as determined by the Trustee and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie of a combination of NPIF Commercial Trust Notes (or a combination of series and classes) and in a principal amount determined by the Trustee having fair market value equal to the in specie Redemption Price as determined by the Trustee in its sole discretion. No fractional NPIF Commercial Trust Notes in integral multiples of less than \$100 will be distributed and where the number of NPIF Commercial Trust Notes to be received by a Unitholder includes a fraction or a multiple of less than \$100, such number shall be rounded to the next lowest whole number or integral of \$100. For the purpose of effecting such distribution in specie, the Trustee may require CT to redeem units of CT (“NPIF Commercial Trust Units”) and/or notes of CT (“NPIF Commercial Trust Notes”) held by the Fund in accordance with the CT Trust Indenture and the note indenture pursuant to which the NPIF Commercial Trust Notes are issued in consideration for the issuance of the NPIF Commercial Trust Notes to be distributed to the Unitholder whose Trust Units are being redeemed as determined by the Trustee.

The Fund shall be entitled to all interest paid or accrued and unpaid on the NPIF Commercial Trust Notes, if any, and the distributions paid or accrued and unpaid on any NPIF Commercial Trust Units redeemed in connection with the distribution in specie, on or before the date of the distribution in specie. It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. NPIF Commercial Trust Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such NPIF Commercial Trust Notes. NPIF Commercial Trust Notes may be subject to resale restrictions under applicable securities laws.

Meetings of Unitholders

The Trust Indenture provides that meetings of Unitholders must be called and held for, among other things, the election of the trustees, appointment or removal of the auditors of the Fund, the approval of amendments to the Trust Indenture, the sale, lease or exchange of all or substantially all of the property of the Fund (other than in connection with an internal reorganization or sale-lease back transaction), change the Manager (other than to an affiliate of the Manager, except where the Trustee is entitled to engage another person to perform the obligations of the Manager), authorize the termination, liquidation or winding-up of the Fund.

A meeting of Unitholders may be called at any time and for any purpose by the Manager and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Take-Over Bids

The Trust Indenture contains provisions to the effect that if a take-over bid is made for Trust Units and not less than 90% of the Trust Units (other than Trust Units 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 Trust Units held by Unitholders who did not accept the offer on the terms offered by the offeror.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada (“non-residents”) within the meaning of the Tax Act. Accordingly, the Trust Indenture provides that at no time may non-residents be the beneficial owners of a majority of the Trust Units. If the Trustee becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration that the beneficial owner is not a non-resident. If notwithstanding the foregoing, the Trustee determines that a majority of the Trust Units are held by non-residents, the Trustee may send a notice to non-resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified numbers of Trust Units or provided the Trustee with satisfactory evidence that the beneficial owners are not non-residents within such period, the Trustee may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Trust Units.

Book Entry

Registration of interests in and transfers of the Trust Units will be made only through the book-based system administered by CDS. All rights of an owner of Trust Units must be exercised through CDS and the CDS Participant through which the owner owns such Trust Units. All distributions on Trust Units will be made by the Fund to CDS. Distributions to CDS are forwarded by CDS to CDS Participants and then by CDS Participants to the beneficial owners of the Trust Units in accordance with industry practice. Each purchaser of a Trust Unit will receive a customer confirmation of purchase from the registered dealer from whom such Trust Unit is purchased in accordance with the practices and procedures of that registered dealer.

The ability of a beneficial owner of Trust Units to pledge the Trust Units or otherwise take action with respect to such owner’s interest therein (other than through a CDS Participant) may be limited due to the lack of physical certificates representing Trust Units.

If CDS, or its nominee, notifies the Fund that it is unwilling or unable to continue as depository, or if at any time CDS, or its nominee, ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and

the Fund is unable to locate a qualified successor, or if the Fund elects to terminate the book-entry system, beneficial owners of Trust Units will receive definitive Trust Unit certificates.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The outstanding Trust Units are traded on the TSX under the trading symbol “NPI.UN”. The following table sets forth the reporting high and low trading prices and trading volumes of the Units as reported by the TSX since January 1, 2003:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2003			
January	\$11.30	\$10.75	593,651
February	\$11.23	\$10.70	989,592
March	\$10.99	\$ 9.85	1,057,281
April	\$11.14	\$10.60	777,132
May	\$11.50	\$11.02	1,789,888
June	\$11.59	\$11.10	1,565,630
July	\$11.75	\$11.23	1,577,146
August	\$11.60	\$11.30	791,279
September	\$11.63	\$11.40	679,115
October	\$11.85	\$11.50	1,299,471
November	\$11.95	\$11.45	671,857
December	\$12.25	\$11.42	2,263,293
2004			
January	\$12.32	\$11.19	2,048,332
February	\$13.25	\$11.90	2,493,395
March	\$13.49	\$12.73	1,951,637
April	\$13.00	\$11.00	2,128,536
May	\$11.50	\$10.16	1,930,392
June	\$12.05	\$10.25	1,130,953
July	\$12.19	\$11.10	782,800
August (to August 17)	\$11.54	\$11.02	1,229,400

PLAN OF DISTRIBUTION

Under an agreement (the “Underwriting Agreement”) dated August 9, 2004 between the Fund, the Manager and the Underwriters, the Fund has agreed to issue and sell and the Underwriters have severally agreed to purchase \$65,000,000 principal amount of Debentures offered hereby at a price of \$1,000 per Debenture, payable in cash to the Fund, for aggregate consideration of \$65,000,000 to the Fund, against delivery. The Fund has agreed to pay the Underwriters a fee of \$40.00 per \$1,000 Debenture purchased by the Underwriters for their services in connection with the offering.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are obligated to take up and pay for all Debentures agreed to be purchased under the Underwriting Agreement. Each of the Fund and the Manager has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or will contribute to payments the Underwriters may be required to make in respect thereof.

The Fund has agreed that it will not, without the prior consent of CIBC World Markets, on behalf of the Underwriters pursuant to the Underwriting Agreement, which consent may not be unreasonably withheld, delayed or refused, authorize, issue or sell any Trust Units or any securities giving the right to acquire Trust Units or any securities convertible or exchangeable into Trust Units or agree or announce the intention to do so,

at any time prior to the date that is 90 days following the date at which the Debentures are issued pursuant to the closing of the offering under this Prospectus (the “Closing Date”).

Pursuant to policy statements of the OSC and the Québec Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Trust Units. The foregoing restriction is subject to exceptions, including a bid or purchase permitted under the rules of the Toronto Stock Exchange (the “TSX”) relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Trust Units. In connection with this offering, and subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price for the Trust Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The closing of this offering is expected to take place on or about August 26, 2004 but in any event not later than September 24, 2004.

Each of CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc. and National Bank Financial Inc. is a wholly owned subsidiary of a Canadian chartered bank (collectively, the “Banks”) which has provided certain credit facilities to the Fund. Accordingly, the Fund could be considered a connected issuer of CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc. and National Bank Financial Inc. for purposes of the securities legislation of certain Canadian provinces. As at the date hereof, \$26.5 million was outstanding under the credit facilities.

The decision to distribute Debentures hereunder and the determination of the terms of the offering were made through negotiations between the Manager of the Fund and the Underwriters. The Banks, in agreeing to the drawdown on the Fund’s acquisition line of credit, required the Fund to obtain confirmation from the Underwriters of their commitment to provide a minimum of \$56.5 million net proceeds from this offering no later than the first draw down under the acquisition line of credit.

The Debentures have not been registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”) and, subject to certain exemptions, may not be offered or sold within the United States. The Underwriters have agreed that they will not offer, sell or deliver the Debentures offered hereby within the United States or to U.S. Persons, except for sales pursuant to an exemption from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of additional Debentures within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to an exemption from registration under the U.S. Securities Act.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Debentureholder who acquires Debentures pursuant to this prospectus and who, for purposes of the Tax Act, at all relevant times, is resident in Canada, deals at arm’s length with, and is not affiliated with, the Fund and holds the Debentures and Trust Units as capital property. Generally, Debentures and Trust Units will be considered to be capital property to a holder provided that the holder does not hold the Debentures or the Trust Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Debentures and Trust Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to any holder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a “specified financial institution” or any holder an interest in which is a “tax shelter investment” (all as defined in the Tax Act). Such holders should consult their own tax advisors.

This summary is of a general nature only and is based upon the facts set out in the Prospectus, certificates of the Fund, IFPC and the Underwriters as to certain factual matters, the provisions of the Tax Act in force at the date of this Prospectus, counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the "CRA") and all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance prior to the date of this Prospectus. There can be no assurance that any tax proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Prospectus. There can be no assurances that the CRA will not change its administrative practices and assessing policies.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Debentures. Moreover, the income and other tax consequences of acquiring, holding or disposing of Debentures and Trust Units will vary depending on the holder's particular circumstances, including the province or provinces in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Debentures. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Debentures based on their particular circumstances. No advance income tax ruling has been sought or obtained from the CRA to confirm the tax consequences of any of the transactions herein described.

Status of the Fund

Mutual Fund Trust

The Fund is a mutual fund trust under the provisions of the Tax Act and is registered as a "registered investment" under the Tax Act. The balance of the summary assumes that the Fund will continue to so qualify and be so registered and that such registration has not been revoked. If the Fund were not to so qualify as a mutual fund trust or were not to be so registered, the income tax considerations would in some respects be materially different from those described below.

Qualified Investment

Provided that the Fund qualifies as a mutual fund trust or is a registered investment within the meaning of the Tax Act and, with respect to the Debentures, the Trust Units are listed on a prescribed stock exchange in Canada, which includes the TSX, at a particular time, the Debentures and Trust Units will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs") and registered education savings plans ("RESPs"), each as defined in the Tax Act (collectively, the "Plans"), subject to the specific provisions of any particular Plan.

NPIF Commercial Trust Notes received as a result of a redemption of Trust Units will not be a qualified investment for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Trust Units should consult their own tax advisors before deciding to exercise the redemption rights attached to Trust Units.

Foreign Property

Based in part on certificates of the Fund and IFPC as to factual matters and provided that the Fund restricts its holdings in foreign property within the limits provided in the Tax Act or maintains its status as a registered investment, the Debentures and Trust Units will not constitute foreign property for RRSPs, RRIFs and DPSPs or such other persons subject to tax under Part XI of the Tax Act. Such persons must restrict their holdings of foreign property within the limit provided in the Tax Act (generally 30% based on cost) in order to avoid certain penalty taxes under the Tax Act. Trusts governed by RESPs are not subject to the foreign property rules. If IFPC ceases to have a "substantial Canadian presence" (as that term is understood for the purposes of the Tax Act), the Fund may become subject to foreign property penalty taxes.

Restricted Investment Property

The Debentures and Trust Units will constitute “restricted investment property” as defined in the March 23, 2004 Budget Proposals for pension trusts and pension corporations. Such investors may be liable to a penalty tax after 2004 with respect to investments in restricted investment property and should consult their own tax advisors. This proposal was suspended by the Minister of Finance on May 18, 2004 to allow for consultation with interested parties.

Taxation of the Debentures

Taxation of Interest on Debentures

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

Any other holder will be required to include in computing its income for a taxation year all interest on the Debentures received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the holder included that interest in income for a preceding taxation year.

Upon a conversion, redemption or repayment on maturity of a Debenture, interest accrued thereon to the date of conversion, redemption or repayment and that would otherwise be payable after that date will be included in computing the holder’s income, except to the extent such amount was included in computing the holder’s income for that or a previous taxation year.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the holder’s income, except to the extent such amount was otherwise included in the holder’s income, and will be excluded in computing the holder’s proceeds of disposition of the Debenture.

Exercise of Conversion Privilege

A holder of a Debenture who converts a Debenture into Trust Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Trust Units so acquired at the time of acquisition and the amount of any cash received in lieu of fractional Trust Units. The holder may realize a capital gain or capital loss, computed as described below under “Dispositions of Debentures”. The cost to the holder of the Trust Units so acquired will also be equal to the fair market value thereof at the time of acquisition, and must be averaged with the adjusted cost base of all other Trust Units of the holder held as capital property at the time of acquisition for the purpose of calculating the adjusted cost base of such Trust Units to the holder.

Redemption or Repayment of Debenture

If the Fund redeems a Debenture prior to Maturity or repays a Debenture upon Maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder on such redemption or repayment. If the holder receives Trust Units on redemption or repayment, the holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Trust Units so received at the time of acquisition and the amount of any cash received in lieu of fractional Trust Units. The holder may realize a capital gain or capital loss computed as described below under “Dispositions of Debentures”. The cost to the holder of the Trust Units so received will also be equal to the fair market value thereof, and must be averaged with the adjusted cost base of all other Trust Units held as capital property at the time of the acquisition for the purpose of calculating the adjusted cost base of such Trust Units.

Dispositions of Debentures

A disposition or deemed disposition by a holder of a Debenture (including on a conversion, redemption or repayment on maturity of such Debenture) will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any accrued interest) are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

Capital Tax

A holder that is a corporation will not be entitled to include any amount in respect of the Debentures in computing its "investment allowance" for purposes of computing "taxable capital" (both as defined in the Tax Act) under Part I.3 of the Tax Act.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including all accrued interest on the NPIF Commercial Trust Notes, such amount of CT's income as becomes paid or payable in the year to the Fund and net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund whether in cash, additional Trust Units or otherwise, or if the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. During the 2004 taxation year of the Fund and the succeeding five taxation years, the Fund may also deduct from its income a portion of the reasonable expenses incurred by the Fund to issue Trust Units in connection with this offering, in accordance with the applicable detailed rules in the Tax Act.

The Fund has advised counsel that it does not believe that the proposed draft legislative amendments and draft interpretation bulletin regarding the deductibility of interest and other expenses related to a source, released on October 31, 2003 by the Department of Finance (the "Draft Proposals") will have a material effect on its tax position.

Under the Trust Indenture, an amount equal to all of the income (including the taxable portion of any net capital gain) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gain realized by the Fund (but excluding income or capital gains arising on an in specie distribution of Fund property which are designated by the Fund to redeeming Unitholders and capital gains, the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund), will be payable in the year to the holders of the Trust Units by way of cash distributions, subject to the exceptions described below. Where the income of the Fund exceeds the monthly cash distributions, such excess income will be distributed to Unitholders in the form of additional Trust Units.

In the event the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of Trust Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the distribution of property on the redemption of Trust Units. The Trust Indenture provides that income or the taxable portion of any capital gain realized by the Fund as a result of a redemption of Trust Units may, at the discretion of the NPIF CT Trustees, be treated as income paid to, and designated as income or a taxable capital gain of, the redeeming Unitholders. Any amount so designated must be included in the income of the redeeming Unitholders and will be deductible by the Fund. In addition, certain accrued interest on the NPIF Commercial Trust Notes distributed to a redeeming Unitholder will be treated as an amount paid to that Unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in such year for income tax under Part I of the Tax Act.

Taxation of CT

CT will generally be subject to tax under the Tax Act in each taxation year (which is the calendar year) on its taxable income for each year (including interest and net realized capital gains), except to the extent such income is paid or payable or deemed to be paid or payable in such year to its unitholders and is deducted by CT in computing its income for tax purposes. CT will generally be entitled to deduct its expenses incurred to earn income from a business or property provided such expenses are reasonable and otherwise deductible and it will be entitled to claim capital cost allowance with respect to its undepreciated capital cost on any depreciable property held by CT, subject to the relevant provisions of the Tax Act. The trust indenture provides that all of the income of CT for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by CT in the year, will generally be payable in the year to holders of CT Units. For purposes of the Tax Act, CT generally intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. Therefore, as a result of such deduction from income, counsel has been advised by the Fund that the Fund does not expect CT to be liable for any material amount of tax under Part I of the Tax Act. However, counsel can provide no opinion in this regard.

CT will be required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, on loans made to IFPC, except to the extent that such interest was included in computing its income for a preceding taxation year and its allocated share of the income or loss of Miller LP and NPIF Kingston LP for each fiscal year of those partnerships ending on or before the year-end of CT. Interest and principal payments and other amounts relevant for the purposes of the Tax Act will generally be determined in Canadian dollars at the exchange rate prevailing at the time of the payment. Accordingly, CT's income for a taxation year may be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

CT has advised counsel that it does not believe that the Draft Proposals will have a material effect on its tax position. See "Taxation of the Fund".

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Trust Units or otherwise.

Provided that appropriate designations are made by the Fund, such portions of its taxable dividends received from taxable Canadian corporations, foreign source income and net taxable capital gains as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from a taxable Canadian corporation, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income will be available to Unitholders that are corporations.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where an amount (other than in respect of the non-taxable portion of any net realized capital gains of the Fund for the year, the taxable portion of which was

designated to the Unitholder) is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Trust Units), the Unitholder will be required to reduce the adjusted cost base of Trust Units by that amount.

To the extent that the adjusted cost base of a Trust Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be zero.

The cost to a Unitholder of additional Trust Units received in lieu of a cash distribution of income will be the amount of income (including net taxable capital gains) distributed by the issue of those Trust Units (and the applicable non-taxable portion of the Fund's net capital gains). For the purpose of determining the adjusted cost base to a Unitholder of Trust Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of Trust Units owned by Unitholder as capital property immediately before that acquisition.

Investors who propose to borrow to finance all or a portion of their investments in Trust Units should consult their own tax advisors for advice with respect to the Draft Proposals.

Dispositions of Trust Units

On the disposition or deemed disposition of a Trust Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Trust Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund as a result of a redemption which has been designated by the Fund to the redeeming Unitholder.

Where Trust Units are redeemed by the distribution of property of the Fund to the redeeming Unitholder, the proceeds of disposition to the Unitholder of Trust Units will be equal to the fair market value of such property so distributed less any income or capital gain realized by the Fund as a result of the redemption of those Trust Units (which income or capital gain will be designated by the Fund as payable to the Unitholder) and, in the case of any NPIF Commercial Trust Notes, any accrued interest on those notes to the time of distribution. Where income or a capital gain realized by the Fund as a result of the distribution of such property on the redemption of Trust Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or the taxable portion of the capital gain so designated. Interest accrued on NPIF Commercial Trust Notes in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income paid to the Unitholder and therefore will be included in the Unitholder's income in the year the Unit is redeemed. The cost of any property distributed by the Fund to a Unitholder upon a redemption of Trust Units will be equal to the fair market value of that property at the time of the distribution less, in the case of NPIF Commercial Trust Notes, any accrued interest on the NPIF Commercial Trust Notes.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain and one-half of any capital loss realized by a Unitholder may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Trust Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to have been received by the Unitholder except to the extent that a loss on a previous disposition of a Trust Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units.

Alternative Minimum Tax

In general terms, net income of the Fund, paid or payable to a Unitholder who is an individual or a trust, that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

Based upon the limitations and assumptions contained in "Canadian Federal Income Tax Considerations", in the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and McCarthy Tétrault, LLP, counsel to the Underwriters, as of the date hereof, the Debentures will be, and the Trust Units are, qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs and RESPs. Based on such limitations and assumptions, the Debentures will not be, and the Trust Units are not, foreign property for any RRSPs, RRIFs and DPSPs, registered pension plans or other persons that are subject to tax under Part XI of the Tax Act.

The Debentures and Trust Units will constitute "restricted investment property" as defined in the March 23, 2004 Budget Proposals for pension trusts and pension corporations. Such investors may be liable to a penalty tax after 2004 with respect to investments in restricted investment property and should consult their own tax advisors. This proposal was suspended by the Minister of Finance on May 18, 2004 to allow for consultation with interested parties.

RISK FACTORS

General

The following are certain risk factors relating to an investment in Debentures which prospective investors should carefully consider before deciding whether to purchase Debentures which are in addition to those described on pages 27 to 33 of the Fund's management's discussion and analysis as at and for the year ended December 31, 2003. The following information is a summary only of such additional risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus, including in documents incorporated by reference herein.

Risks Associated with the Transaction

Variability of Wind Resource

The force with which the wind will blow at the Miller Mountain Project site will vary. Although the Fund believes that the wind survey data that has been collected demonstrates that the sites will be economically viable, weather patterns could change or the historical data could prove not to accurately reflect the strength and consistency of the wind in the future. If there is insufficient wind, the assumptions underlying the financial projections regarding the amount of electricity to be generated by the Miller Mountain Project may not be met and distributable cash and the value of the Debentures and Trust Units could be materially adversely affected.

Assessment and Availability of Wind Resource and Associated Wind Energy Production

The conclusions of the Garrad Hassan Study are based on assumptions about certain conditions that may exist and events that may occur in the future. In addition to the fact that such assumptions are dependent upon future events, a number of additional factors may cause wind speed and energy capture at the Miller Mountain Project to differ, possibly materially, from those projected in the Garrad Hassan Study. These factors include:

- (a) the limited time period of the site-specific wind data that was used;
- (b) the site-specific wind data that was reviewed may not have a high degree of correlation with longer-term regional wind data;
- (c) the limitations in the accuracy with which anemometers measure wind speed;
- (d) the inherent variability of wind speeds;
- (e) the turbine power curve provided by Vestas was not independently verified;

- (f) the potential impact of climatic factors, including icing of wind turbines;
- (g) the potential impact of topographical variations, turbine placement and local conditions, including vegetations;
- (h) the inherent uncertainty associated with the use of models, in particular future-oriented models; and
- (i) the potential for electricity losses to occur before delivery.

Turbine Design and Local Climatic Conditions

The 1.8 MW Vestas V80 turbines selected for the Miller Mountain Project were chosen because of their advanced design and their proven ability to withstand anticipated local weather conditions. However, there can be no assurance that these turbines will be able to withstand all weather conditions that may be experienced at the site, or that extreme weather, such as the extreme cold of the Gaspé peninsula, will not otherwise materially impact the production of electricity by the Miller Mountain Project.

Reliance on Supplier

Vestas is the supplier of the wind turbines to be installed at the site. If for any reason Vestas is unable or unwilling to fulfill its contractual obligations under the EPC Agreement and the WMS Agreements, distributable cash and the value of the Debentures and Trust Units could be materially adversely affected.

Termination of Power Purchase Agreement

Revenues of the Miller Mountain Project are almost entirely dependent on the PPA. The PPA provides that Hydro-Québec may terminate the PPA if the Miller Mountain Project does not begin commercial operation by April 30, 2006. Although commercial operation is scheduled for March 2005, this schedule may not be realized. If the PPA is terminated, this would have an adverse impact on the distributions of Miller LP and distributable cash and the value of the Debentures and Trust Units could be materially adversely affected.

Failure to Obtain Construction and Term Financing

Miller LP is making arrangements for Construction and Term Financing to complete the Miller Mountain Project. Failure to obtain this financing may require the Fund to refinance its acquisition line of credit by May 2005. There can be no assurance that the Fund will be able to do so on favourable terms.

Construction Risks

The sites where the Miller Mountain Project will be constructed are currently undeveloped and there are uncertainties associated with the construction of the Miller Mountain Project. The wind turbines which will comprise the Miller Mountain Project need to be manufactured, shipped to the site, installed and tested. Roads, substations, interconnection facilities and other infrastructure all need to be either built or purchased and installed. There is risk that construction will not be completed or will be delayed or that material cost over-runs will be incurred during the construction of the Miller Mountain Project or once constructed the Miller Mountain Project will not immediately perform as intended. Any delay in construction may have an adverse impact on the distributions of Miller LP and distributable cash and the value of the Debentures and the Trust Units could be materially adversely affected.

Covenants of Construction and Term Financing

Miller LP is making arrangements for Construction and Term Financing. Such financing for projects similar to the Miller Mountain Project typically include covenants for debt service reserves and achieving certain financial ratios, before distributions can be made. Such covenants in any Construction and Term Financing for the Miller Mountain Project could have an adverse effect on distributions from Miller LP and distributable cash and the value of the Debentures and Trust Units could be materially adversely affected.

Impact of Other Wind Farms

The Murdochville Project is expected to have turbines in sufficient proximity to the Miller Mountain Project to affect the energy production of the Miller Mountain Project. The impact of the Murdochville Project on the Miller Mountain Project may be greater than the 1% of revenues which has been forecast and there is no guarantee that the compensation payments under the Wind Impact Agreement will be made.

Performance Guarantee of Turbines

While the 1.8 MW Vestas V80 turbine's ability to perform in accordance with its power-curve has been warranted for a five-year period by Vestas, there is no assurance that such performance will in fact occur. If it does not and cannot be corrected in an efficient manner, there could be a material effect on the energy production of the Project and distributions of Miller LP and distributable cash and the value of the Debentures and the Trust Units could be materially adversely affected.

Regulatory Regime and Permits

The profitability of the Miller Mountain Project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities. Should the current governmental regulations or incentive programs be modified, the Miller Mountain Project may be adversely affected.

Miller LP does not currently hold all of the licenses and permits required in connection with the construction and operation of the Miller Mountain Project, although it expects to receive them in the ordinary course without substantial change to the Miller Mountain Project. The failure to obtain all necessary licences or permits, including renewals thereof or modifications thereto, could result in construction of the Miller Mountain Project not being completed and distributions of Miller LP and distributable cash and the value of the Debentures and the Trust Units could be materially adversely affected.

Fund's Inexperience with Wind Power Facilities

The Miller Mountain Project is the Fund's first venture into wind power. The Fund and the Manager have no previous experience constructing or operating wind power facilities. The Fund and the Manager have no previous experience constructing or operating a project in Québec.

Reliance on the Developer and the Manager and Potential for Conflicts of Interest

The Fund will be dependent upon the Developer, as holder of the Class B Subordinated Units, for services performed during construction of the Miller Mountain Project and upon the Manager for the operation of the Miller Mountain Project. There may be situations in which conflicts of interest may arise between the Fund, CT, the NPIF CT Trustees, the Manager, the Developer and their respective officers and directors.

Contract Performance

The amount of cash available for distribution to Unitholders that is derived from the Miller Mountain Project is highly dependent upon parties to certain agreements fulfilling their contractual obligations, especially: (i) Vestas under the EPC Agreement and WMS Agreements; (ii) Hydro-Québec under the PPA; (iii) the Manager under the Management Agreement, and (iv) Hydro-Québec under the Interconnection Agreement for the Miller Mountain Project. An inability or failure by any such party to meet its contractual commitments may have a material adverse effect on the distributions of Miller LP and distributable cash and the value of the Debentures and the Trust Units.

Force Majeure

The occurrence of a significant event which disrupts the ability of the Miller Mountain Project to produce or sell power for an extended period, including events which preclude existing customers from purchasing power, could have a material adverse effect on distributable cash and the value of the Trust Units.

Insurance Limits

While the Fund believes that the insurance coverage for the Miller Mountain Project will address material insurable risks, provide coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, be subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance, current operating conditions and insurance market conditions, no such insurance will be purchased until construction commences and there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Fund or the Miller Mountain Project.

Risks Associated with Holding Debentures and Trust Units

Trading Market for Debentures

The Debentures constitute a new issue of securities of the Fund for which there is currently no public market. If the Debentures are traded after their initial issuance, they may trade at a discount from their initial public offering price depending on prevailing interest rates, the market for similar securities, the performance of the Fund and other factors. No assurance can be given as to whether an active trading market will develop or be maintained for the Debentures. To the extent that an active trading market for the Debentures does not develop, the liquidity and trading prices for the Debentures may be adversely affected.

Prior Ranking Indebtedness; Absence of Covenant Protection

The Debentures will be subordinate to all Senior Indebtedness of the Fund. The Indenture will not limit the ability of the Fund to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions on the Trust Units, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Fund.

Conversion Following Certain Transactions

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

Liability of Unitholders

The Trust Indenture provides that no Unitholder (or annuitant under a Plan of which a Unitholder acts as trustee or carrier) will be held to have any personal liability and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund or of the Trustee. Only assets of the Fund are intended to be liable and subject to levy or execution.

The Manager intends to use all reasonable efforts to ensure that no contractual obligations are binding upon any of the Unitholders or annuitants personally. Notwithstanding the foregoing, to the extent that any claims are not satisfied by the Fund, there is a risk that a Unitholder could be held personally liable for obligations of the Fund.

MATERIAL CONTRACTS

Material contracts which have been entered into or assumed by the Fund or its affiliates in connection with the offering, or will be entered into prior to the Closing Date, other than contracts entered into in the ordinary course of business, are as follows:

- (a) the Indenture;
- (b) the Underwriting Agreement;
- (c) the PPA;
- (d) the Limited Partnership Agreement;
- (e) the Share Purchase and Subscription Agreement described under the “Transaction”;
- (f) the EPC Agreement;
- (g) the Wind Impact Agreement;
- (h) the Management Agreement; and
- (i) the WMS Agreements.

Copies of the contracts referred to above, once executed, may be inspected during normal business hours at the offices of the Fund at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A1 throughout the period of distribution and for 30 days thereafter.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the issuance of the Debentures will be passed upon at the date of closing on behalf of the Fund by Borden Ladner Gervais LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

As of the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and McCarthy Tétrault LLP, beneficially own, directly or indirectly, as a group less than 1% of all Trust Units of the Fund outstanding at such date.

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, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission 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 advisor.

GLOSSARY OF TERMS

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

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

“3Ci” means 3Ci Inc., a corporation formed under the laws of Canada.

“61-501” means OSC Rule 61-501.

“Acquisition” means the acquisition by CT of the Miller Mountain Project.

“AWEA” means the American Wind Energy Association.

“AWS” means AWS Scientific, Inc.

“Banks” means CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc. and National Bank Financial Inc.

“Base Amount” means \$5,786,880.

“CanWEA” means the Canadian Wind Energy Association.

“CDS” means The Canadian Depository for Securities Limited.

“CDS Participant” means a participant in the CDS Depository Service.

“Change of Control” means a change of control of the Fund involving the acquisition of voting control or direction over 66 $\frac{2}{3}$ % or more of the votes represented by outstanding Trust Units by any person or group of persons acting jointly or in concert.

“CIBC World Markets” means CIBC World Markets Inc.

“Class A Priority Units” means the Class A Priority Units of Miller LP all of which are owned by CT.

“Class B Subordinated Units” means the Class B Subordinated Units of Miller LP, all of which are owned by the Developer.

“Class C Units” means the Class C Units of Miller LP, which may be issued to the Developer in the event any additional capital contribution may be required of the Developer if a Construction Cost Overrun occurs.

“Closing Date” means the date at which the Debentures are issued pursuant to the closing of the offering, under this Prospectus.

“Completion Costs” means construction, testing, commissioning and development expenses, including payments under the EPC Agreement; lender fees; specified amount of working capital; interest expenses; other costs and fees; amounts required for the Acquisition, including assumed liabilities; and interest accruing on the Debentures and distributions on any Trust Units issued on the conversion of Debentures during construction after March, 2005; less any recoveries, refunds or grants receivable in connection with the Miller Mountain Project and any revenue and interest earned during the construction of the project.

“Construction Cost Overrun” means any amount by which the Completion Costs exceed the Transaction Value.

“Construction and Term Financing” means the non-recourse project construction and the term debt in the amount of \$40 million to be provided by a major Canadian financial institution to Miller LP.

“Conversion Price” means the conversion price of the Debentures of \$12.50 per Trust Unit.

“CRA” means the Canada Revenue Agency.

“CT” means NPIF Commercial Trust, the trust established pursuant to the laws of Ontario, all of the units of which are owned by the Fund.

“Current Market Price” means the weighted average trading price of the Trust Units on the TSX for the 20 consecutive days ending on the fifth trading day preceding the date of the applicable event.

“DBRS” means Dominion Bond Rating Service Limited.

“Debentureholders” means a holder of Debentures.

“Debenture Trustee” means Computershare Trust Company of Canada or its successor as trustee of the Debentures.

“Debentures” mean the convertible unsecured subordinated debentures of the Fund due June 30, 2011.

“Definitive Debentures” means Debentures held by Debentureholders in registered and definitive form.

“Developer” means Mount Miller Construction and Services Inc.

“DPSP” means deferred profit sharing plan.

“Draft Proposals” means the proposed draft legislative amendments and draft interpretation bulletin regarding the deductibility of interest and other expenses related to a source, released on October 31, 2003 by the Department of Finance.

“EPC Agreement” means the engineering, procurement and construction agreement and intellectual property license between Miller LP and Vestas dated as of August 5, 2004.

“Event of Default” means an event of default provided by the Indenture.

“Fund” means Northland Power Income Fund.

“Garrad Hassan” means Garrad Hassan and Partners Ltd.

“Garrad Hassan Study” means the Garrad Hassan study entitled “Assessment of the Energy Production of the Proposed Miller Mountain Wind Farm”, dated June 30, 2004.

“GWh” means gigawatt hour.

“Global Debentures” means the fully-registered global Debenture held by CDS.

“Hydro-Québec” means Hydro-Québec, a Québec Crown Corporation.

“IEC” means the International Electrotechnical Committee.

“IFPC” means Iroquois Falls Power Corp., a wholly owned subsidiary of CT, continued under the laws of Ontario.

“Independent Committee” means the independent committee of the NPIF CT Trustees comprising John Turner, Warren Moysey and Pierre Gloutney.

“Independent Trustees” means those members of the NPIF CT Trustees who were not appointed by the Manager.

“Indenture” means a trust indenture creating the Debentures to be dated the date of the closing of this offering between the trustee thereof and the settlor thereof.

“Interconnection Agreement” means the interconnection agreement between Miller LP and Hydro-Québec dated as of August 5, 2004 and providing for the interconnection of the Miller Mountain Project to the Hydro-Québec transmission grid.

“Iroquois Falls Facility” means the 120 MW electricity and steam generating facility located in Iroquois Falls, Ontario, Canada and all ancillary assets.

“kV” means a kilovolt or 1,000 volts.

“kWh” means a kilowatt-hour, a unit of electrical energy equivalent to one kilowatt of power used for one hour.

“KCLP” means Kingston CoGen Limited Partnership.

“Lease Option Agreement” means the agreement between Millerco and the Province of Québec granting to Millerco the right to lease the 30 sites required for the Vestas turbines for the Miller Mountain Project.

“Limited Partnership Agreement” means the agreement, amended and restated as of August 5, 2004, between Miller GPCo, CT and the Developer.

“Management Agreement” means a management agreement entered into by Miller LP and the Manager of the Fund.

“Manager” means Northland Power Income Fund Management Inc., a wholly owned subsidiary of NPI.

“Maturity Date” means June 30, 2011.

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

“Megawatt-hour” or “MWh” means a megawatt-hour, one megawatt of electricity produced or used for one hour.

“Millerco” means Mount Miller Wind Power Energy Inc., a corporation existing under the laws of Canada.

“Miller GPCo” means Miller Mountain GP Inc., a corporation existing under the laws of Canada.

“Miller LP” means Mount Miller Wind Energy Limited Partnership/Énergie Éolienne du Mont Miller société en commandite, a limited partnership formed and existing pursuant to the *Legal Publicity Act* (Québec).

“Miller Mountain Project” means the 54 MW wind farm project, to be located at Miller Mountain near Murdochville, Québec.

“MNR” means Ministry of Natural Resources of Québec.

“Moody’s” means Moody’s Investors Service, Inc.

“Murdochville Project” means a wind energy project to be developed by 3Ci in the vicinity of the Miller Mountain Project.

“NPI” means Northland Power Inc., a corporation incorporated under the laws of Ontario.

“NPIF Trust Indenture” means the trust indenture creating NPIF Commercial Trust as of December 20, 2002 between the trustee thereof and the settlor thereof, as supplemented, amended and restated by the supplemental and restated trust indenture dated as of July 1, 2003, as further amended, supplemented, or restated from time to time.

“NPIF Commercial Trust Notes” means notes of any series of NPIF Commercial Trust issued from time to time under the Trust Indenture.

“NPIF Commercial Trust Units” means a trust unit issued by CT.

“NPIF CT Trustees” means the trustees of CT.

“OEFC” means Ontario Electricity Financial Corporation, the successor to Ontario Hydro as continued by the *Electricity Act, 1998* (Ontario).

“OSC” means the Ontario Securities Commission.

“Panda Facilities” means two combined-cycle cogeneration facilities located in the U.S.

“PEC” means Panda Energy Corporation.

“PIC” means Panda Interfunding Company LLC.

“Plans” means DPSPs, RRSPs, RRIFs and RESPs.

“PPA” means the power purchase agreement between 3Ci and Hydro-Québec, dated December 13, 2002 (as assigned to Millerco January 9, 2003 and as assigned to Miller LP).

“Prospectus” means this short form prospectus.

“Put Date” means a date which is 30 days following the giving of notice of the Change of Control, on which a holder of Debentures may require the Fund to purchase the Debentures.

“Put Price” means the a price equal to 101% of the principal amount of the Debenture.

“Q-27” means Policy Statement No. Q-27 of the Québec Autorité des marchés financiers.

“Redemption Price” means the price per Trust Unit paid on redemption.

“**RESPs**” means registered education savings plans.

“**RRIFs**” means registered retirement income funds.

“**RRSPs**” means registered retirement savings plans.

“**Senior Indebtedness**” means all indebtedness of the Fund (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.

“**Senior Indebtedness Postponement Provisions**” means the provisions in the Indenture relating to postponement of the Debentures to the Senior Indebtedness.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder.

“**Trust Indenture**” means the trust indenture dated February 17, 1997, as amended and restated as of July 1, 2003 between NPI, as settlor of the Fund and the Trustee.

“**Trust Units**” means the units of the Fund, each unit representing an equal undivided beneficial interest in the Fund.

“**Trustee**” means Computershare Trust Company of Canada, or its successor as trustee of the Fund.

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

“**Transaction**” means the acquisition and construction of the Miller Mountain Project.

“**Transaction Value**” means \$95,055,100.

“**Underwriters**” means CIBC World Markets, BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Canaccord Capital Corporation, and FirstEnergy Capital Corp.

“**Underwriting Agreement**” means an agreement dated August 9, 2004 between the Fund, the Manager and the Underwriters.

“**Unitholder**” means a unitholder of the Fund.

“**Unit Interest Payment Election**” means the Fund’s election to issue and deliver freely-tradeable Trust Units to the Debenture Trustee in order to raise funds to satisfy all or any part of the Fund’s obligations to pay interest on the Debentures in accordance with the Indenture.

“**U.S. Securities Act**” means the *United States Securities Act*, as amended.

“**Vestas**” means Vestas-Canadian Wind Technology, Inc.

“**Vestas-America**” means Vestas-American Wind Technology, Inc.

“**Vestas Wind A/S**” means Vestas Wind Systems A/S.

“**Wind Impact Agreement**” means the wind impact agreement dated August 5, 2004 between NPI, CT, the Class B Unitholder, Miller LP, Miller GPCo, Millerco and 3Ci.

“**WMS Agreements**” means the warranty, maintenance and service agreements between Miller LP and Vestas dated as of August 5, 2004.

“**WPPI**” means the Wind Power Production Incentive of the Government of Canada pursuant to the Wind Power Production Incentive Agreement between the Minister of Natural Resources (Canada) and Miller LP dated June 29, 2004.

AUDITORS' CONSENT

We have read the short form prospectus of Northland Power Income Fund (the "Fund") dated August 18, 2004 relating to the offering of convertible debentures of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2003 and 2002, and the consolidated statements of income and deficit and cash flows for each of the years in the two-year period ended December 31, 2003. Our report is dated February 24, 2004.

Toronto, Ontario
Dated: August 18, 2004

(Signed) ERNST & YOUNG LLP
Chartered Accountants

CERTIFICATE OF THE FUND

Dated: August 18, 2004

This short form prospectus, together with the documents incorporated herein 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 all of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NORTHLAND POWER INCOME FUND

By: NORTHLAND POWER INCOME FUND MANAGEMENT INC., AS ADMINISTRATOR

By: (Signed) JOHN W. BRACE
President and Chief Executive Officer

By: (Signed) ANTHONY F. ANDERSON
Chief Financial Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: August 18, 2004

To the best of our knowledge, information and belief, the foregoing 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 all of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

By: (Signed) DAVID H. WILLIAMS

BMO NESBITT BURNS INC.

By: (Signed) JAMES A. TOWER

SCOTIA CAPITAL INC.

By: (Signed) DONALD A. CARMICHAEL

NATIONAL BANK FINANCIAL INC.

By: (Signed) WILLIAM M. CROSSLAND

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID DAL BELLO

CANACCORD CAPITAL CORPORATION

FIRSTENERGY CAPITAL CORP.

By: (Signed) ALLAN D. STRATHDEE

By: (Signed) HUGH R. SANDERSON



**NORTHLAND POWER
INCOME FUND**