

NORTHLAND POWER INCOME FUND

Supplement to Management Information Circular

These materials are important and require your immediate attention. They require unitholders of Northland Power Income Fund to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to voting your units of the Fund, please contact Georgeson Shareholder Communications Canada Inc. at 1-888-605-8376.

This document supplements the Notice of Annual and Special Meeting and Management Information Circular of Northland Power Income Fund (the “**Fund**”) dated May 1, 2009 (the “**Circular**”) issued in connection with the Annual and Special Meeting (the “**Meeting**”) of the Fund called for June 22, 2009. Capitalized terms used below are used with the same meanings ascribed to them in the Circular except as otherwise specified below.

This document is being posted on the System for Electronic Document Analysis and Retrieval (SEDAR), www.sedar.com, and on the Fund’s website, www.npifund.com.

The Meeting was adjourned until June 25, 2009. At the adjourned Meeting the resolutions directing and instructing the Fund Trustee to vote the units of CT in respect of the election of the current CT Trustees who are unrelated to the Manager and the reappointment of the auditors were passed. The Meeting was then adjourned until 10:00 a.m. on Tuesday, July 7, 2009. **The Meeting was further adjourned to 10:00 a.m. Thursday, July 16, 2009 at the offices of Borden Ladner Gervais LLP, Scotia Plaza, 40 King Street West, Toronto, Ontario.**

At the adjourned Meeting Unitholders will be asked to consider the Acquisition Resolution and the LTIP Resolution. **Instructions regarding the manner of voting Units at the Meeting, or changing voting instructions, are set out at page 14 of this Supplement.**

Changes to Acquisition Agreement and Rights Exchange Agreements

In response to concerns that have been expressed by certain institutional Unitholders about the value being paid by the Fund for NPI, including the uncertainty related to NPI’s development activities, NPHI and the NPI LTIP Participants have agreed with the Independent Trustees on behalf of the Fund to amendments (the “**Amendments**”) to the terms of the Acquisition Agreement and the Rights Exchange Agreements.

Highlights of the Amendments:

- Up to approximately 35.4% of the Fund's Units potentially issuable for the shares of NPI, a significantly greater amount of the purchase consideration, is now contingent on the future success of NPI's current development projects; the total number of Fund Units which may be issued to NPHI and the NPI LTIP Participants remains unchanged.
 - The number of Class A Exchangeable Units to be issued to NPHI has been reduced from 35,623,732 to 25,914,650 (subject to further reduction as set out in the Acquisition Agreement).
 - The number of Class B Convertible Units to be issued to NPHI has been increased from 6,640,000 to 8,067,723.
 - The number of Replacement Rights to be issued to the NPI LTIP Participants has been reduced from 6,305,890 to 6,091,171, of which 1,503,922 are exercisable only if certain conditions are satisfied (subject to further reduction as set out in the Rights Exchange Agreements).
 - A new class of 8,496,078 Class C Convertible Units to be issued to NPHI has been added to the purchase consideration which can be converted to Class A Exchangeable Units on a proportionate basis if the NPI Development Projects (as defined below) earn up to \$100,000,000 of profit for the Fund.
- The threshold amount of any development profit from NPI Development Projects (as defined below) which must be earned before any Class B Convertible Units can be converted has been increased from \$75,000,000 to \$100,000,000.
- In recognition of a greater proportion of the purchase consideration being contingent on development success, the NPI development projects which will be relevant to determine whether the contingent consideration has been earned are the development projects described in the Circular (and an additional project which is currently under development by NPI) (the "**NPI Development Projects**") that achieve a PPA within 5 or 6 years after closing, as applicable, as opposed to within 2 years after closing under the original transaction terms.
- The Conversion Date has been extended to January 16, 2012 from July 6, 2011, extending the period in which the Class A Exchangeable Units and Replacement Rights will not be entitled to distributions thereby allowing the Fund to retain additional cash.

The principal effect of the Amendments is to reduce the number of Class A Exchangeable Units and Replacement Rights issued at closing and to make approximately 35.4% of the Fund Units potentially issuable for the shares of NPI fully contingent on the ability of the Fund's management after closing of the Transactions to achieve profits through the successful development of the NPI Development Projects. In addition, the Amendments will extend the

time during which such development success may be achieved beyond the two years after closing under the original structure of the Transactions to up to six years after closing. These changes have been made primarily by reducing the number of Class A Exchangeable Units to be issued in exchange for issuing to NPHI an increased number of Class B Convertible Units and units of a new class of Holdings LP (“**Class C Convertible Units**”) and by reducing the number of Replacement Rights to be issued and making some of them exercisable only if certain conditions are satisfied. The Amendments supersede the changes announced on June 16, 2009 to the Acquisition Agreement and the Rights Exchange Agreements.

In addition, the Conversion Date has been extended to January 16, 2012 from July 6, 2011, extending the period in which the Class A Exchangeable Units and Replacement Rights will not be entitled to distributions.

THE BOARD OF TRUSTEES OF NPIF COMMERCIAL TRUST, ON BEHALF OF THE TRUSTEE OF THE FUND, RECOMMENDS THAT UNITHOLDERS VOTE FOR THE TRANSACTIONS AS AMENDED BY THE AMENDMENTS. THIS RECOMMENDATION IS UNANIMOUS (EXCLUDING A TRUSTEE WHO, HAVING DECLARED HIS INTEREST, ABSTAINED FROM VOTING).

Changes to Purchase Consideration

The changes to the purchase consideration payable by the Fund are as follows:

1. The number of Class A Exchangeable Units to be issued to NPHI has been reduced from 35,623,732 to 25,914,650 (subject to further reduction as set out in the Acquisition Agreement).
2. The number of Class B Convertible Units to be issued to NPHI has been increased from 6,640,000 to 8,067,723 and the threshold amount of any development profit from NPI Development Projects which must be earned by the Fund before any such Class B Convertible Units can be earned by NPHI has been increased from \$75,000,000 to \$100,000,000.
3. A new class of 8,496,078 Class C Convertible Units to be issued to NPHI has been added to the purchase consideration which can be converted to Class A Exchangeable Units on a proportionate basis if the NPI Development Projects earn up to \$100,000,000 of profit for the Fund.
4. The number of Replacement Rights to be issued to the NPI LTIP Participants has been reduced from 6,305,890 to 6,091,171, of which 1,503,922 are exercisable only if certain conditions are satisfied (subject to further reduction as set out in the Rights Exchange Agreements). See “Changes to Replacement Rights”.

The number of Units to be issued for the purchase of the JCT Loan remains as the number determined when the principal amount of the JCT Loan is divided by the Closing Date Market Price.

The total number of Units that may be issued pursuant to the Transactions remain the same, approximately 51,080,597 Units, which is equal to approximately 81.9% of the current issued and outstanding Units.

The number of Units that would have been issued or become issuable under the terms of the Transactions as set out in the Circular, the number of Units that would be issued or become issuable as a result of the Transactions after taking into account the Amendments and the percentage of outstanding Units they would represent are summarized in the following table:

	Issued to	Number of Units		Percentage of Number of Outstanding Units		
		Originally	After Amendments	Pre-Transaction ⁽³⁾	Post-Transaction (excluding contingent securities) ⁽⁴⁾	Post-Transaction (including contingent securities) ⁽⁵⁾
Class A Exchangeable Units	NPHI	35,623,732	25,914,650	41.6%	27.2%	22.8%
Replacement Rights ⁽¹⁾	NPI LTIP Participants	6,305,890	4,587,249	7.4%	4.8%	4.0%
Units issued for the JCT Loan ⁽²⁾	JCT Management	2,510,975	2,510,975	4.0%	2.6%	2.2%
Total non-Contingent Units		44,440,597	33,012,874	53.0%	34.6%	29.1%
Class C Convertible Units	NPHI	-	8,496,078	13.6%	8.9%	7.5%
Contingent Replacement Rights	NPI LTIP Participants	-	1,503,922	2.4%	1.6%	1.3%
Class B Convertible Units	NPHI	6,640,000	8,067,723	12.9%	8.5%	7.1%
Total		51,080,597	51,080,597	81.9%	53.6%	45.0%

(1) excluding the contingent Replacement Rights.

(2) assuming a Closing Date Market Price of \$9.78 which was the Closing Date Market Price on June 30, 2009; the number of Fund Units to be issued will be determined based on the actual Closing Date Market Price.

(3) on a non-diluted basis.

- (4) before the conversion of the Class C Convertible Units and the Class B Convertible Units and the exercise of the contingent Replacement Rights.
- (5) assuming all of the Class A Exchangeable Units, Replacement Rights, Class B Convertible Units and Class C Convertible Units are exchanged or converted into Units of the Fund.

Temerty Holdings

As a result of the Transactions, James C. Temerty, the Chair of the Fund and the indirect owner of NPHI, will beneficially own, or have control or direction over, approximately 40.3% of the outstanding voting rights with respect to the Fund before exercise of the Replacement Rights, or 38.0% of the voting rights, after exercise of the Replacement Rights, in each case assuming that the Class B Convertible Units have not been converted. If the Class B Convertible Units have all been converted and all of the Replacement Rights have been exercised, Mr. Temerty would beneficially own, directly or indirectly, 42.4% of the outstanding voting rights of the Fund.¹

COD or Commercial Operations Date

For the purposes of this Supplement, the capitalized term COD, or commercial operations date, shall mean the date as of which all of the following have been achieved: the substantial completion of a project under the construction contract; plant performance tests have been satisfactorily completed or waived; and all conditions precedent to the commencement of the term of the major offtake and supply contracts have been met (all as applicable).

Change to the Conversion Date

The Conversion Date has been changed from July 6, 2011 to January 16, 2012. The effect of this change is that no cash distributions will be payable on the Class A Exchangeable Units and the Class A Exchangeable Units may not be exchanged for Fund Units until January 16, 2012. Similarly the Replacement Rights will not be exercisable (and as a result will not be entitled to any distributions) until that later date.

The change in the Conversion Date will not affect the survival date for the majority of the representations and warranties made by NPHI to the Fund in the Acquisition Agreement which will remain as the date which is 21 months after the Closing Date.

Attributes of Class A Exchangeable Units of Holdings LP

The Amendments do not affect the attributes of the Class A Exchangeable Units; however, as previously described, the number of Class A Exchangeable Units issued to NPHI on the Closing Date will be reduced from 35,623,732 to 25,914,650.

¹ All figures include the voting rights with respect to the Fund which James C. Temerty beneficially owned, or had control or direction over, prior to the Transactions.

Changes to Attributes of Class B Convertible Units of Holdings LP

The number of Class B Convertible Units to be issued to NPHI on the Closing Date will be increased from 6,640,000 to 8,067,723. The attributes of the Class B Convertible Units have also been changed as follows:

1. To increase the original threshold amount of development profits from \$75,000,000 to \$100,000,000 which must be achieved by the NPI Development Projects before any Class B Convertible Units can be converted into Class A Exchangeable Units.
2. To delete the exception to the threshold for the conversion of Class B Convertible Units into Class A Exchangeable Units or Units of the Fund for a Previously Bid Project designated by NPHI described in the last sentence of the first paragraph on page 23 of the Circular.
3. To extend the date by which an NPI Development Project must attain a PPA in order to become a qualified project (as described on page 22 of the Circular) from July 6, 2011 to July 16, 2015.
4. To amend the definition of development profit to be as described below under “-Attributes of Class C Convertible Units of Holding LP” and to include an additional project currently under development by NPI in the definition of NPI Development Projects.
5. To amend the basis upon which 40% of the development profit will be attributed to certain qualified projects as described below.

The allocation of development profits from qualifying NPI Development Projects for purposes of the conversion of Class B Convertible Units will be based upon the order and time periods in which the PPA for each project is attained. Based on the order in which PPA's were attained, the NPI Development Project that results in the realization of an aggregate \$100,000,000 of development profit is the "**Threshold Project**". For all projects (including that portion of the Threshold Project, if any, beyond the \$100,000,000) whose PPA's were attained within twelve months after the PPA for the Threshold Project was attained, then 40% of their development profits shall be used to determine the number of Class B Convertible Units which are converted. For projects whose PPA's were attained after this twelve month period, then 20% of their development profit shall be used to determine the number of Class B Convertible Units which are converted. To the extent that the projects do not achieve COD in the order in which their respective PPA's were attained, adjustments shall be made to ensure the proper allocation of development profits

No Class B Convertible Units may be converted (i) until all Class C Convertible Units have been converted into Class A Exchangeable Units, or (ii) if any Class C Convertible Units have been cancelled. Except as described above, the attributes of the Class B Convertible Units remain unchanged.

Attributes of Class C Convertible Units of Holdings LP

The attributes of the Class C Convertible Units are designed so that if the Fund's development activities provide value to the Fund up to \$100,000,000, they will convert proportionately into Class A Exchangeable Units.

One Special Voting Unit of the Fund will be issued for each Class C Convertible Unit issued. Special Voting Units will entitle the holder to one vote per Special Voting Unit at any meeting of Unitholders, are not transferrable separately from the Class C Convertible Units, will be automatically transferred upon a transfer of the associated Class C Convertible Units, will be automatically associated with the Class A Exchangeable Units received upon the exchange of the Class C Convertible Units and do not otherwise entitle the holder to any rights with respect to the Fund's property or income. Holders of Class C Convertible Units will only be entitled to vote with respect to any amendment to the terms of the LP Agreement which would adversely affect the attributes of the Class C Convertible Units.

The Class C Convertible Units carry no rights to distributions and the right to receive \$0.001 per Unit on liquidation only. They are not transferable. They will be converted into Class A Exchangeable Units on a one-for-one basis in accordance with the calculations discussed below. If at the time of such conversion all of the previously issued Class A Exchangeable Units have been exchanged for Units, then the Class A Exchangeable Units issued on the conversion of the Class C Convertible Units will be automatically exchanged for Units of the Fund.

Only NPI Development Projects are relevant for purposes of being "qualified" and for the calculation of development profit, both as described below.

A project becomes "qualified" for the calculation if, on or before July 16, 2014, the Fund, or the special purpose vehicle which may directly own the project, executes a PPA, with respect to that project, has accepted an offer to enter into a PPA within 60 Business Days or a "qualified off-taker" has confirmed that the project has met the eligibility requirements of the feed-in-tariff of the GEA and that the qualified off-taker will enter into a PPA with respect to the project within 60 Business Days. As the Mount Louis Project and the build-out of the Jardin d'Éole Project already have a PPA, they are already qualified.

If and when a qualified project has achieved its COD, the development profit of that project would be calculated. The development profit is the difference between the fair market value of a particular qualifying project and the cost of that project as measured at the COD (the "**Valuation Date**"). The fair market value and the development profit will be determined by an independent financial advisor (the "**Financial Advisor**") with the assistance of the Fund's auditor as required under the direction of the Independent Trustees. The Financial Advisor will be engaged by the Independent Trustees of the Fund and will be selected from the investment banking group of a major Canadian or international bank. The fair market value will be the midpoint of the valuation range determined by the Financial Advisor at the Valuation Date using such valuation methodologies as it deems appropriate. The fair market value for ownership interests in projects that may be sold before the Valuation Date will be the net after-tax proceeds received by the Fund on the sale. The cost of the project will be (without duplication) the actual construction cost including direct and indirect costs, capitalized third-party development costs (but with no

provision for indirect development costs or development fees unless paid to a third party), financing costs including capitalized interest and fees associated with debt provided for the project, costs associated with the Fund's equity investment in the project or the project entity including a return based on the Fund's cost of equity for the period of time between the investment of the equity and the Valuation Date as well as commissions, bought deal and similar discounts and other costs directly associated with the Fund's equity investment, costs incurred during commissioning net of any revenue earned, non-refunded taxes directly associated with the project (property, capital and provincial sales tax), and a reasonable estimate of permanent working capital requirements. The project cost will also include any capitalized development costs incurred for abandoned or terminated projects that have been written off and that have not otherwise been accounted for in a prior determination of development profit. The project cost associated with ownership interests in projects that may be sold before the Valuation Date will be the project costs incurred to the date of sale (as otherwise determined). For projects that are not project-financed through construction, the Valuation Date will be the date when permanent financing is completed or such other date as reasonably determined by the Fund's Independent Trustees. The Fund will provide appropriate public disclosure concerning the procedures followed for the determination of the fair market value and the development profit and the results of the evaluation at the time of the determination of development profit or the subsequent quarter end financial statements.

Whenever a qualified development project has achieved its COD under the applicable PPA, a portion of the original number of Class C Convertible Units will be converted into Class A Exchangeable Units in the same proportion that the amount of the development profit is to \$100,000,000.

Any remaining Class C Convertible Units will be cancelled without consideration once every qualified development project either has achieved its COD, or has had its PPA terminated in accordance with its terms for failure to have reached its COD.

If there are outstanding indemnity claims against NPHI under the Acquisition Agreement made before the expiration of the Survival Period for breaches of representations and warranties and/or covenants which have not been fully satisfied through an adjustment in the number of Class A Exchangeable Units (and, in certain instances, an adjustment to the number of Replacement Rights issued to the NPI LTIP Participants), the number of Class A Exchangeable Units issuable on the conversion of the Class C Convertible Units will be reduced based on the dollar value of the unsatisfied indemnity claims divided by the Announcement Date Market Price. A proportionate number of outstanding Replacement Rights will also be cancelled.

Changes to Replacement Rights

The NPI LTIP Participants have agreed that an aggregate of 1,503,922 of the Replacement Rights may be exchanged for Units only in the same proportion and at the same time that the Class C Convertible Units have been converted into Class A Exchangeable Units. As noted above, the Class C Convertible Units may only be converted to Class A Exchangeable Units on a proportionate basis if the Fund earns up to \$100,000,000 of development profits from the NPI Development Projects.

Closing Date

It is expected that, if the Acquisition Resolution and the LTIP Resolution are approved by the Unitholders, the Closing Date will be July 16, 2009 or as soon thereafter as practical.

LTIP Resolution

The terms of the proposed LTIP were amended on June 15, 2009 as follows:

- (a) the number of Units available under the LTIP has been reduced from 3,500,000 to 3,100,000;
- (b) the categories of eligible participants have been amended to exclude Trustees; and
- (c) the amendment provisions of the LTIP have been amended to provide that the LTIP cannot be amended without Unitholder approval for the following additional types of amendments: extending the term of Deferred Rights beyond their original expiry date; permitting Deferred Rights to be assignable or transferable (other than by operation of law); and amending the amending provisions.

Recent Developments

Electricity Sector Developments

Since the date of the Circular, a number of important events have occurred in the electricity sector as follows:

1. The *Ontario Green Energy and Green Economy Act, 2009* (“**GEA**”) received royal assent on May 14, 2009; the majority of the GEA is expected to be proclaimed in force later in 2009. The principal regulations required to implement the GEA and the final details of the proposed feed-in tariff (“**FIT**”) program for renewable generation projects are still under development. The proposed power purchase prices for renewable generation projects which qualify under the FIT have been announced with prices ranging from 10.3¢ per kilowatt hour for small landfill gas projects to 80.2¢ per kilowatt hour for rooftop or ground-mounted solar photovoltaic projects under 10 kilowatts. The FIT will also provide additional payments for power purchased from renewable generation projects depending on the level of community or aboriginal ownership.
2. On May 27, 2009, the Government of Ontario introduced amendments to environmental legislation that, if passed, will enable a governmental authority to implement a provincial cap and trade system for GHG emissions. The Ontario Government is currently exploring possible options for the structure and design of the proposed system.
3. On June 29, 2009, the Government of Ontario announced that it had suspended the competitive RFP to procure two replacement nuclear reactors planned for Ontario Power Generation’s Darlington facility, citing concerns about pricing and the future of Atomic Energy of Canada Limited, one of the bidders.

4. On June 10, 2009, the federal government issued draft rules related to the establishment of a carbon offset system which outlines the Government of Canada's plan for the certification and issuance of offset credits for GHG reductions. The rules are expected to be finalized after a 60-day public comment period.
5. On June 26, 2009, the U.S. House of Representatives passed *The American Clean Energy and Security Act of 2009* which represents the first national plan of action by the U.S. to comprehensively address climate change. This legislation is still subject to approval by the U.S. Senate, but, if confirmed without significant amendment, would provide for the adoption of a national renewable portfolio standard and a cap and trade system that would place mandatory limits on the emission of greenhouse gases.

NPI Activities

With respect to NPI's development activities since the date of the Circular, NPI submitted a proposal on June 22, 2009 to SaskPower in response to its RFP for peaking generation. The results of that RFP process are expected to be announced in September 2009. SaskPower has also announced that bids are due under its RFP for baseload generation by August 28, 2009 and that the successful proponent will be announced in November 2009. As previously announced, NPI has pre-qualified as a prospective bidder in the foregoing RFP process. On July 8, 2009, NPI submitted its Royal Windsor (Mississauga) Project in response to the OPA's RFP for gas-fired intermediate capacity in the southwest greater Toronto area.

As a result of market prices for natural gas in the second quarter of 2009 being below NPI's expectations as of the date of the Circular, and NPI's revised expectation of lower gas prices for the balance of 2009, NPI does not expect to earn fees from its management role of Kirkland Lake Power Corporation until fiscal 2011, which is one year later than had been previously anticipated.

Based on information available to NPI as at June 15, 2009, the unused construction cost contingency at the Thorold Project has been estimated at \$13,000,000 (as disclosed in the Circular, as at December 31, 2008, \$18,000,000 of the original \$21,000,000 contingency remained unused) and the project is on budget and on target to be completed in February 2010, several weeks ahead of schedule. The Jardin d'Éole Project's unused construction cost contingency as at June 15, 2009 was \$6,000,000 (as disclosed in the Circular, as at December 31, 2008, \$9,000,000 of the original \$10,000,000 contingency remained unused) and the project remains on budget and on schedule for completion by December 1, 2009.

Concerning the Fund

As disclosed in the Circular, the Manager, on behalf of the Fund, sought and obtained a decision of the Ontario Securities Commission and the Autorité des marchés financiers, providing relief from the requirement under MI 61-101 for the Valuation to include a valuation of the non-cash assets to be issued to NPI as consideration for the NPI Shares. As required by the decision, the Fund discloses that it has no knowledge of any material information concerning the Fund or its securities that has not generally been disclosed and that, to the knowledge of the Fund after reasonable inquiry, no related party of the Fund involved in the Transactions has knowledge of

any material information concerning the Fund or its securities that has not been generally disclosed.

Support for the Amendments

Certain institutional Unitholders of the Fund beneficially owning, or having control or direction over, in excess of 11,000,000 Units have indicated to NPHI and the Fund that, as a result of the Amendments, they will vote in favour of the Acquisition Resolution and the LTIP Resolution.

Deliberations of Independent Trustees

On July 2, 3 and 8, 2009, the Independent Trustees met with their legal and financial advisors to consider the Amendments. On July 10, 2009, Crosbie presented an oral fairness opinion which concluded that the Transactions, as amended by the Amendments, are fair, from a financial point of view, to the Fund and to the Unitholders, other than the Related Parties. Crosbie also updated the Independent Trustees on the financial analysis supporting such fairness opinion. Following the presentations and discussion, the Independent Trustees unanimously determined that the Transactions, as amended by the Amendments, were in the best interests of the Fund and Unitholders and reaffirmed their recommendation that the CT Trustees recommend that Unitholders vote in favour of the Transactions.

In reaching their conclusion and determination to reaffirm their recommendation to the CT Trustees, the Independent Trustees considered the factors on which their original recommendation was based as disclosed in the Circular and a number of additional factors including the following:

- *Risk Transfer:* The Amendments transfer a considerable portion of the risk relating to development activities from the Fund to NPHI by effectively reducing consideration payable if development success is less than expected.
- *Extension of Conversion Date:* The six month extension of the Conversion Date results in significant foregone distributions that would have been payable under the Transactions as originally proposed thus providing additional support for distributions.
- *Support of Institutional Unitholders:* Certain institutional Unitholders holding approximately 16% of the outstanding Fund Units have considered the terms of the Transactions in detail and have approved the Amendments and have indicated their intention to vote in favour of the Transactions thus significantly improving the prospects for a successful vote that will allow the Transactions, including the Amendments, to proceed.
- *Fairness Opinion:* The Independent Trustees have received an oral fairness opinion from Crosbie confirming that, as of the date of such fairness opinion, and subject to certain assumptions and limitations, the Transactions as amended by the Amendments are fair, from a financial point of view, to the Fund and Unitholders, other than the Related Parties.

In reaching their determination, the Independent Trustees also considered the increased complexity of the Transactions after giving effect to the Amendments, including the complex capital structure of the Fund going forward. In addition, the Independent Trustees gave due consideration to the fact that, while a significantly larger portion of the purchase consideration will become contingent, because of the increased time period in which projects can qualify to earn contingent consideration, it is more likely that the contingent securities may be earned by NPHI.

Fairness Opinion

The Independent Trustees retained Crosbie to prepare and deliver an oral fairness opinion as to the fairness of the Transactions, as amended, from a financial point of view to the Fund and the Unitholders, other than the Related Parties. Based upon and subject to the factors considered and assumptions made by Crosbie and the qualifications described to the Independent Trustees, Crosbie concluded that as at July 10, 2009 the Transactions, as amended, are fair from a financial point of view to the Fund and the Unitholders, other than the Related Parties. Crosbie will deliver a written copy of such fairness opinion upon closing of the Transactions.

TSX Approval

The Units of the Fund and its convertible debentures are listed on the TSX. The issuance of the Class A Exchangeable Units, the Class B Convertible Units, the Class C Convertible Units, the Replacement Rights and the Units to be issued in exchange for the JCT Loan is subject to acceptance by the TSX. The provisions of the TSX Company Manual require securityholder approval where the number of securities issued or issuable in payment of the purchase price for an acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding on a non-diluted basis. As well, the TSX will generally require securityholder approval if in its opinion the transaction materially affects control of the listed issuer or provides consideration in aggregate of 10% or greater of the market capitalization of the listed issuer and has not been negotiated at arm's length. As the number of Units that are to be issued or would become issuable as a result of the Transaction is approximately 81.9% of the current issued and outstanding Units and the issuance of Units and Special Voting Units to NPHI will materially affect control, the TSX requires securityholder approval by a simple majority of the disinterested securityholders. The Minority Approval would satisfy this requirement.

Right of NPHI to Appoint Trustees

NPHI's rights to appoint Fund Trustees will be based on its percentage ownership of Units, Class A Exchangeable Units and Class C Convertible Units taken together rather than just Units and Class A Exchangeable Units as described in the Circular. NPHI may elect, for each meeting of Unitholders at which Fund Trustees are to be elected, whether it will exercise or waive its rights to appoint Fund Trustees and the Fund Trust Indenture Amendments will clarify that if NPHI elects to exercise such rights, NPHI, James C. Temerty and any Temerty Party will not be entitled to exercise their voting rights with respect to the other Fund Trustees. Such appointment rights and NPHI's election to exercise or waive such rights will be disclosed in the information circulars of the Fund in respect of its meetings of Unitholders at which Fund Trustees are to be elected.

Pre-emptive Rights

The following is a description of the pre-emptive rights that NPHI will be granted pursuant to the Trust Indenture Amendments for so long as James C. Temerty and/or a Temerty Party controls NPHI and for as long as NPHI and Mr. Temerty and/or the Temerty Parties collectively hold, directly or indirectly, not less than 20% of the Trust Units, Class A Exchangeable Units and Class C Convertible Units, taken together. No Units or Exchangeable Securities (as defined in the Fund Trust Indenture) (collectively the “**Fund Interests**”) will be issued by the Fund and no option or other right for the purchase of or subscription for any Fund Interests will be granted except upon compliance with the following provisions:

- (a) If the Fund proposes to offer for sale any Fund Interests, NPHI shall be entitled to purchase Fund Interests in such issuance on a *pro rata* basis, but only to the extent necessary to maintain its proportional fully diluted interest in the Fund. At least ten business days prior to any proposed offering of Fund Interests, the Fund shall deliver to NPHI a notice in writing offering NPHI the opportunity to subscribe for its *pro rata* number of Fund Units or Exchangeable Securities, as applicable. The offer will contain a description of the terms and conditions relating to the Fund Interests and will state the price at which the Fund Interests are offered and the date on which the purchase of the Fund Interests is to be completed and will state that if NPHI wishes to subscribe for the Fund Interests it may do so only by giving notice of the exercise of the pre-emptive right granted thereby to the Secretary of the Fund within ten business days after the date of the offer. NPHI will be entitled to participate in the issuance of the Fund Interests at the most favourable price and on the most favourable terms as such Fund Interests are to be offered to a third party.
- (b) If any of the Fund Interests are not subscribed for within the period of ten business days after they are offered to NPHI, the Fund may offer such unsubscribed Fund Interests within the period of 120 days after the expiration of such ten-business day period to any person, but the price at which such Fund Interests may be issued will not be less than the subscription price offered to NPHI and the terms of payment for such Fund Interests will not be more favourable to such person than the terms of payment offered to NPHI.
- (c) If the Fund proposes to grant an option or other right for the purchase of or subscription for Fund Interests, such option or other right will also be made available to NPHI as nearly as may be possible in accordance with the foregoing.
- (d) The provisions regarding the pre-emptive right of NPHI do not apply to (a) any issuance of Fund Interests or to the grant of any option or other right for the purchase of or subscription for any Fund Interests which are expressly contemplated or provided for in the Fund Trust Indenture; (b) any Exchangeable Securities outstanding as of the date of the Trust Indenture Amendments; (c) any executive or employee compensation arrangements made prior to or after the date of the Trust Indenture Amendments, including pursuant to the Fund LTIP; or (d) the Fund’s distribution reinvestment plan.

Any issuances of Fund Interests pursuant to the pre-emptive rights will be subject to applicable regulatory approvals.

Pro Forma Financial Statements

As a result of the Amendments, the selected pro forma combined financial information set out in Appendix “B” to the Circular would change. The attached selected pro forma combined financial information replaces Appendix “B” to the Circular.

Voting Information

The officers of the Manager who have been appointed as proxy nominees will vote the proxies in accordance with the specifications made by Beneficial Unitholders. Where a Beneficial Unitholder has previously given instructions to vote FOR the Acquisition Resolution and the LTIP Resolution, the proxy nominees will vote the Units represented by such proxies FOR the Acquisition Resolution and the LTIP Resolution at the adjourned Meeting at 10:00 a.m. on July 16, 2009 unless such instructions are changed prior to the adjourned Meeting as described below.

Beneficial Unitholders who have previously given instructions on how their Units should be voted (i) should revoke their proxy or voting form using the control number provided as it is the later dated form that will be counted at the meeting, if they want to change their instructions as to voting on the Acquisition Resolution and/or the LTIP Resolution and (ii) need do nothing if they do not wish to change their original vote.

Beneficial Unitholders who have not already given instructions on how their Units should be voted may do so provided that such instructions are received by Broadridge no later than one hour before the reconvened Meeting to be held on Thursday, July 16, 2009 at 10:00 a.m. at the offices of Borden Ladner Gervais LLP, 40 King Street West, Toronto, Ontario.

APPENDIX "B"

SELECTED PRO FORMA COMBINED FINANCIAL INFORMATION

NORTHLAND POWER INCOME FUND
PRO FORMA CONSOLIDATED BALANCE SHEET
As at December 31, 2008
(Unaudited) (in thousands of dollars)

	NPI	NPIF	Pro forma Adjustments	NPIF Consolidated
Assets				
Cash and cash equivalents	19,304	45,512	e (30,000)	34,816
Cash reserves and restricted cash	117,246	3,727		120,973
Accounts and other receivables	13,756	18,186	k (3,887)	28,055
Inventories	177	4,697		4,874
Prepaid expenses	248	2,119		2,367
Current portion of senior loan receivable		3,509		3,509
Total Current assets	150,731	77,750	(33,887)	194,594
Restricted cash	1,050			1,050
Deferred charges		1,827		1,827
Property, plant and equipment, net	351,008	382,735	i (2,921) f (12,207)	718,615
Contracts, net		114,925	f 205,562	320,487
Development Assets			f 1	1
Investment in Panda Energy Corporation		6,050		6,050
Senior loan receivable		74,610		74,610
Loan receivable from ThorId CoGen LP		16,510	i 950 l (17,460)	-
Goodwill			f 15,987 g 74,500	90,487
Derivative financial asset	4,797			4,797
Future income tax asset	20,203	1,124		21,327
Total Assets	527,789	675,531	230,524	1,433,845
Liabilities & Partners' Capital				
Accounts payable and accrued liabilities	43,455	12,683	j 4,986 k (3,887)	57,237
Current portion of long-term debt	12	10,358		10,370
Distributions payable to unitholders		8,106		8,106
Total Current Liabilities	43,467	31,147	1,099	75,713
Long-term debt	396,241	103,270	l (17,460) f (70,385)	411,666
Other long-term liabilities	23	3,435		3,458
Non-controlling interests	22,008		f (22,008)	-
Due to parent company	30,000		e (30,000)	-
Due to affiliated company	24,557		c (24,557)	-
Asset retirement obligation		2,438		2,438
Derivative financial instruments	53,765	22,229		75,994
Convertible debentures		29,035		29,035
Future income tax liability		63,025	g 74,500	137,524
Long term incentive plan	14,240		b (14,240)	-
Acquisition price payable			d 19,767	19,767
	584,301	254,579	(83,285)	755,595
Trust units		670,431	c 24,557	694,988
Exchangeable units			a 190,893	190,893
Replacement rights			b 41,847	41,847
Accumulated other comprehensive income		1,086		1,086
Contributed surplus	1,119		f (1,119)	-
Common Shares	5,186		f (5,186)	-
Deficit	(62,817)	(250,565)	f 62,817	(250,565)
Total Equity	(56,512)	420,952	313,809	678,250
	527,789	675,531	230,524	1,433,845

See accompanying notes to the pro forma consolidated financial statement

NORTHLAND POWER INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2008
(Unaudited) (in thousands of dollars)

	NPI	NPIF	Pro forma Adjustments	NPIF Consolidated
Sales				
Electricity		148,492		148,492
Steam		8,931		8,931
Natural Gas		34,621		34,621
Emission allowances		116		116
Other	2,701			2,701
Management / incentive fee income	12,346		h (4,545)	7,801
Total	<u>15,047</u>	<u>192,160</u>	<u>(4,545)</u>	<u>202,662</u>
Cost of Sales	<u>1,366</u>	<u>81,994</u>	<u>h (1,101)</u>	<u>82,259</u>
Gross Profit	<u>13,681</u>	<u>110,166</u>	<u>(3,444)</u>	<u>120,403</u>
Expenses				
Plant operating costs	1,231	16,393	h (667)	16,957
Amortization of property, plant and equipment	1,303	27,763		29,066
Writedown / Loss on disposal of property, plant and equipment	3,055	1,432		4,487
Corporate management and administration costs	9,838	6,398	h,m (3,511)	12,724
Development general and administration costs	3,137			3,137
Development costs	10,233			10,233
Accretion expense		147		147
	<u>28,797</u>	<u>52,133</u>	<u>(4,178)</u>	<u>76,752</u>
Investment income		18,108	i (1,806)	16,302
Income from operations	<u>(15,116)</u>	<u>76,141</u>	<u>(1,072)</u>	<u>59,953</u>
Foreign exchange	(5,970)	(11,460)		(17,430)
Amortization of deferred charges		105		105
Amortization of contracts		13,902	n 3,037	16,939
Writedown in PEC investment to fair value		1,896		1,896
Change in fair value of interest rate swaps	41,258	5,912		47,170
Interest income	(248)	(1,197)		(1,445)
Interest expense and bank fees	1,648	13,100	m (1,289)	13,459
Strategic and transaction related expenses	2,957	502		3,459
Income before income taxes	<u>(54,761)</u>	<u>53,381</u>	<u>(2,820)</u>	<u>(4,200)</u>
Provision for (recovery of) income taxes				
Current	(15)	406		391
Future	(13,986)	(11,582)	(402)	(25,970)
	<u>(14,001)</u>	<u>(11,176)</u>	<u>(402)</u>	<u>(25,578)</u>
Net income (loss) for the year	<u>(40,760)</u>	<u>64,557</u>	<u>(2,418)</u>	<u>21,378</u>
Average number of Fund units outstanding - basic (000s)		62,353		64,864
Average number of Fund units outstanding - diluted (000s)		65,224		67,735
Basic income per Fund unit		\$1.04		\$0.33
Diluted income per Fund unit		\$1.02		\$0.33

See accompanying notes to the pro forma consolidated financial statement

NORTHLAND POWER INCOME FUND
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENT
As at and for the year ended December 31, 2008
(unaudited)

Note 1 - Basis of presentation

The accompanying unaudited pro forma consolidated balance sheet and pro forma consolidated statement of income of Northland Power Income Fund (the "Fund") have been prepared by the Fund's manager in accordance with Canadian generally accepted accounting principles and give effect to the acquisition by the Fund of Northland Power Inc. ("NPI") and other related entities all as itemized below (the "Transaction").

The accounting policies used in the preparation of these pro forma consolidated financial statements are those disclosed in the audited consolidated financial statements of the Fund. For purposes of these unaudited pro forma consolidated financial statements the acquisition of NPI and other related entities have been accounted for using the purchase method.

The unaudited pro forma consolidated financial statements have been derived from and should be read in conjunction with the description of the Transaction and the audited consolidated financial statements of the Fund and NPI, including the notes to the financial statements.

Certain reclassifications to those financial statements have been made for presentation purposes only to provide more meaningful information, comparability between NPI and the Fund and to coincide with presentation elsewhere. Such reclassifications include a further segregation of specific types of costs in the income statements and in the case of NPI the balance sheet has been adjusted to show separately those related party amounts that are part of the Transaction.

The underlying assumptions for the pro forma consolidated adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the Transaction; however, the unaudited pro forma consolidated financial statements are not necessarily indicative of the results that actually would have been achieved if the Transaction reflected therein had been completed on the dates indicated or the results that may be obtained in the future. In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation.

Note 2 – Pro Forma Adjustments and Assumptions

The unaudited pro forma consolidated balance sheet of the Fund assumes that the Transaction occurred as at December 31, 2008 and the unaudited pro forma consolidated statement of income for the year ended December 31, 2008 assumes that the Transaction occurred as at January 1, 2008.

The value of one Unit of the Fund was determined to be \$9.9675, which is the average trading price plus and minus two days of the announcement date, in accordance with generally accepted accounting principles and is used for valuation of comparable securities except as noted in c) below.

Transaction

- a) Issuance of 25,914,650 Class A Exchangeable Units, 8,067,723 Class B Convertible Units, and 8,496,078 Class C Convertible Units for acquisition of all outstanding shares of NPI. For accounting purposes, 6,763,062 Class A Exchangeable Units have not been valued as they are subject to adjustment based on future distributions of the Fund and the Class B Convertible Units and Class C Convertible Units are treated as contingent consideration and thus no value has been ascribed. The remaining 19,151,588 Class A Exchangeable Units have been valued at \$190,893,453.
- b) Issuance of 6,091,171 Replacement Rights as settlement of the NPI long term incentive plan liability. Of these rights, 1,892,859 are treated as contingent consideration based on future performance and thus no value has been ascribed at this time. The appropriate accounting presentation of employment expense and equity will be recorded over the period the performance conditions are expected to be achieved. The remaining 4,198,312 Replacement Rights have been valued at \$41,846,675.
- c) Issuance of 2,510,975 Fund Units to purchase the NPI loan payable to related parties, at \$9.78 per unit based on the June 30, 2009 TSX closing price, valued at \$24,557,333.
- d) Acquisition of the 66.5% equity interest of Jardin LP that is recorded by NPI as non-controlling interests for cash consideration of \$21,500,000 payable on January 31, 2010. This has been recorded as a liability at a discounted fair value of \$19,767,500 using a discount rate approximate to the Fund's estimated borrowing rates for loans of similar maturity. The accounting treatment and presentation of this acquisition could be different until the actual closing in January 2010.
- e) Repayment of NPI loan payable to NPHI that as at December 31, 2008 was \$30,000,000.

Allocation of Purchase Price

The Transaction results in the acquisition of all assets and assumption of all liabilities for NPI as listed in the attached. As detailed above, the Transaction will result in retirement of certain liabilities.

- f) The Transaction listed above if effected at December 31, 2008 would have, on a preliminary basis, resulted in the acquisition of net assets (stated in thousands of dollars) as follows:

Assets Acquired:

Cash including restricted cash	137,600
Current assets	10,294
Property, plant and equipment	335,880
Future tax asset	20,203
Contracts	205,562
Development assets	1
Goodwill	<u>15,987</u>
	<u>725,527</u>

Liabilities Assumed

Current liabilities	44,566
Long-term debt	324,929
Derivative financial instruments	<u>48,968</u>
	<u>418,463</u>

Consideration

Cash	30,000
Trust units	24,557
Class A exchangeable units	190,893
Replacement rights	41,847
Acquisition price payable	<u>19,767</u>
	<u>307,064</u>

The actual calculation and allocation of the purchase price discrepancy will be based on the assets purchased and liabilities assumed at the effective date of the acquisition transaction and other information at that date. Accordingly, the actual amounts for each of the assets and liabilities will vary from the pro forma amounts and the variation may be material.

- g) A future tax liability of \$74,500,520 has been recorded arising from the allocation of the purchase consideration with a corresponding increase to goodwill.

Further Adjustments

- h) to eliminate fees charged between NPI and the Fund during 2008
- i) to remove interest and fees on loans to NPI from the Fund during 2008
- j) to accrue transaction costs
- k) to eliminate intercompany payables and receivables balances
- l) to eliminate intercompany loans
- m) to remove interest and fees charged during 2008 on related party loans that are repaid as part of the Transaction
- n) to record amortization on certain of the Contracts
- o) the pro forma consolidated income statement does not reflect any settlement gain or loss resulting from the pre-existing relationships between the Fund and NPI. Further, for pro forma purposes it has been assumed that the pre-existing relationships are neither favourable nor unfavourable as compared to pricing for current market transactions for same or similar items and as a result there is no adjustment to the purchase consideration. Due to the nature and volume of pre-existing relationships between the Fund and NPI, any impact recorded upon finalization of the purchase price allocation could be material.