

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

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

*Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the **Manager of Investor Relations of Northland Power Income Fund** at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A1, telephone (416) 962-6262 ext. 156 and fax (416) 962-6266 and are also available electronically at www.sedar.com.*

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 persons 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, 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".

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

September 29, 2009



NORTHLAND POWER INCOME FUND

\$60,340,500

5,830,000 Trust Units

and

\$80,000,000

**6.25% Convertible Unsecured Subordinated Debentures, Series A
Due December 31, 2014**

Trust Units

Price: \$10.35 per Trust Unit

Northland Power Income Fund (the "Fund") is offering 5,830,000 units of the Fund (the "Offered Units") at a price of \$10.35 per Offered Unit (the "Unit Offering"). The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario. The head office of the Fund is located at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario M4V 3A1.

Series A Debentures

Price: \$1,000 per Series A Debenture

Concurrently with the Unit Offering, the Fund is offering for distribution (the "Debenture Offering", and together with the Unit Offering, the "Offerings") \$80 million aggregate principal amount of 6.25% convertible unsecured subordinated debentures, series A, due December 31, 2014 (the "Series A Debentures") of the Fund at a price of \$1,000 per Series A Debenture. The Series A Debentures bear interest at an annual rate of 6.25% payable semi-annually in arrears on June 30 and December 31 of each year commencing December 31, 2009.

Debenture Conversion Privilege

Each Series A Debenture will be convertible into Trust Units of the Fund at the option of the holder at any time prior to the close of business on the earlier of December 31, 2014 (the "Maturity Date") and the business day immediately preceding the date specified by the Fund for redemption of the Series A Debentures, at a conversion price of \$12.42 per Trust Unit (the "Conversion Price") being a ratio of approximately 80.515 Trust Units per \$1,000 principal amount of Series A Debentures, subject to adjustment in certain events in accordance with the Indenture (as defined herein). Holders converting their Series A Debentures will receive accrued and unpaid interest thereon for the period from the last interest payment date, up to and including the last record date set by the Fund prior to the date of conversion for determining Unitholders entitled to receive a distribution on the Trust Units on their Series A Debentures. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Series A Debentures – Conversion Privilege". **A holder of Series A Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Series A Debentures. See "Canadian Federal Income Tax Considerations".**

The Series A Debentures may not be redeemed by the Fund on or prior to December 31, 2012. Thereafter, but prior to December 31, 2013, the Series A 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 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 December 31, 2013 and prior to the Maturity Date, the Series A 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 Series A 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 Series A Debentures are set out under "Description of the Series A Debentures".

	<u>Price to the Public⁽¹⁾</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Fund⁽²⁾</u>
Per Offered Unit	\$ 10.35	\$ 0.5175 ⁽³⁾	\$ 9.8325
Total ⁽⁵⁾	\$ 60,340,500	\$3,017,025	\$ 57,323,475
Per Series A Debenture	\$ 1,000	\$ 40 ⁽⁴⁾	\$ 960
Total	\$ 80,000,000	\$3,200,000	\$ 76,800,000
TOTAL	\$140,340,500	\$6,217,025	\$134,123,475

Notes:

- (1) The price of the Offered Units and the Series A Debentures was established by negotiation between the Fund and the Underwriters (as defined below).
- (2) Before deducting expenses of the Offerings estimated to be \$750,000, which, together with the Underwriters' fee, will be paid by the Fund from the proceeds of the Offerings.
- (3) The Underwriters' fee is equal to 5.00% of the gross proceeds of the Unit Offering.
- (4) The Underwriters' fee is equal to 4.00% of the gross proceeds of the Debenture Offering.
- (5) The Fund has granted the Underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part and at any time up to the 30th day following the date of the closing of the Offerings, to purchase from the Fund up to 874,500 additional Trust Units and up to \$12 million principal amount of Series A Debentures on the same terms and conditions set forth above solely to cover over-allotments, if any. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public will be \$161,391,575, the total Underwriters' fees will be \$7,149,578.75 and the total net proceeds to the Fund will be \$154,241,996.25 (before deduction of the expenses of the Offerings). This short form prospectus also qualifies the granting of the Over-Allotment Option and the distribution of Trust Units or Debentures, as applicable, that may be offered in relation to the Over-Allotment Option. A purchaser who acquires Trust Units or Series A Debentures, as applicable, forming part of the Underwriters' over-allotment position acquires those Trust Units or Series A Debentures, as applicable, under this Prospectus regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

After the Underwriters have made a bona fide effort to sell all of the Offered Units and Series A Debentures offered under this Prospectus at their respective offering prices fixed in this Prospectus, the Underwriters may reduce the offering price or otherwise change the selling terms from time to time. Any such reduction should not affect the proceeds received by the Fund. See "Plan of Distribution".

<u>Underwriters' Position</u>	<u>Maximum size or number of securities available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to purchase up to 874,500 Trust Units (being up to 15% of the Trust Units sold)	The exercise period of the Over-Allotment Option is set forth above	\$10.35 per Trust Unit
Over-Allotment Option	Option to purchase up to \$12 million aggregate principal amount of Series A Debentures (being up to 15% of the principal amount of Series A Debentures sold)	The exercise period of the Over-Allotment Option is set forth above	\$1,000 per \$1,000 principal amount of Series A Debentures

The outstanding units of the Fund (the "Trust Units") and the outstanding 6.50% convertible unsecured subordinated debentures of the Fund due June 30, 2011 (the "Initial Debentures") are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbols NPI.UN and NPI.DB, respectively. On September 24, 2009, the last trading day prior to the announcement of the terms of the Offerings, the closing price of the Trust Units on the TSX was \$10.88 per Trust Unit and the closing price of the Initial Debentures on the TSX was \$1025.20 per Initial Debenture. The Fund has applied to list the Offered Units and the Series A Debentures distributed under this short form prospectus and the Trust Units issuable on conversion of the Series A Debentures on the TSX. Listing will be subject to the Fund fulfilling all listing requirements of the TSX.

Investment in the Trust Units and Series A 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 Series A Debentures will be, and the Trust Units are, qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSA") (and will not be a prohibited investment for a TFSA provided that the holder of the TFSA deals at arm's length with the Fund for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and does not have a significant interest, within the meaning of the Tax Act, in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for the purposes of the Tax Act) (collectively, the "Plans") under the Tax Act. See "Eligibility for Investment".

Standard & Poor's, a division of The McGraw-Hill Companies ("S&P"), has assigned the outstanding Trust Units a rating of "SR-2", with a negative outlook, under the income fund stability and sustainability rating scale established by S&P. This rating was last confirmed in April, 2009. See "Stability Ratings of the Trust Units".

Based upon the pro forma consolidated income statement of the Fund for the twelve months ended December 31, 2008 giving effect to the acquisition of Northland Power Inc., the earnings coverage ratio is less than one-to-one. This is due primarily to certain non-cash items affecting income for the year. Based upon the pro forma consolidated income statement of the Fund for the six months ended June 30, 2009 giving effect to such acquisition, the earnings coverage ratio is greater than one-to-one. See “Earnings Coverage Ratios”.

A return on an investment in Trust Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investor’s initial investment is at risk, and the anticipated return on an investor’s investment is based on many performance assumptions. Although the Fund intends to make distributions of a substantial portion of its available cash to holders of Trust Units (“Unitholders”), these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the operations and assets of NPIF Holdings L.P. and as otherwise described in the Fund’s continuous disclosure documents filed on www.sedar.com. In addition, the market value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant.

The after-tax return from an investment in Trust Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund, which may be fully or partially taxable or tax-deferred. That composition may change over time, thus affecting an investor’s after-tax return. The adjusted cost base of Trust Units held by a Unitholder will be reduced by the non-taxable portion of distributions made to the Unitholder other than the portion thereof attributable to the non-taxable portion of capital gains.

Neither the Trust Units, the Series A Debentures nor the Trust Units issuable upon conversion of the Series A Debentures are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

CIBC World Markets Inc. (“CIBC World Markets”), BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., Canaccord Capital Corporation, FirstEnergy Capital Corp., Cormark Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively, the “Underwriters”), as principals, conditionally offer the Offered Units and Series A 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 Fasken Martineau DuMoulin LLP. The terms of the Offerings were established through negotiation between the Fund and CIBC World Markets on behalf of the Underwriters. **Each of CIBC World Markets, BMO Nesbitt Burns Inc., National Bank Financial Inc. and Scotia Capital 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., National Bank Financial Inc. and Scotia Capital Inc. for purposes of the securities legislation of certain Canadian provinces. See “Plan of Distribution”.**

Subject to applicable laws, the Underwriters may in connection with the Offerings effect transactions which stabilize or maintain the market price of the Trust Units at levels other than those which might otherwise prevail on the open market. 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 the Offerings is expected to occur on or about October 15, 2009 or such later date as the Fund and the Underwriters may agree, but in any event not later than October 22, 2009. The closing of the Unit Offering and Debenture Offering are mutually conditional. At closing, book-entry only certificates representing the Offered Units and the Series A Debentures will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”), or its nominee, and will be deposited with CDS on the closing of the Offerings, or the Fund will cause the Series A Debentures to be issued or authenticated in uncertificated format, as applicable. Except as noted herein, physical certificates will not be issued to purchasers of the Offered Units or the Series A Debentures and purchasers of the Offered Units or Series A Debentures will only receive a confirmation of purchase from the Underwriter or other registered dealer from or through whom the Offered Units or Series A Debentures are purchased.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY	1	Modification	18
FORWARD-LOOKING STATEMENTS	3	Events of Default	18
DOCUMENTS INCORPORATED BY REFERENCE	4	Offers for Series A Debentures	18
NORTHLAND POWER INCOME FUND	6	Limitation on Non-Resident Ownership	18
SUMMARY DESCRIPTION OF THE BUSINESS OF THE FUND	6	Book-Entry Only System, Delivery and Form	19
Investment Objective of the Fund	7	Transfer and Exchange of Series A Debentures	19
Acquisition and Investment Guidelines	8	Payments	20
Organizational Structure	8	Reports to Holders	20
RECENT DEVELOPMENTS	9	Governing Law	20
Merger with Northland Power Inc.	9	PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS	21
Saskatchewan Peaking Generation Facility ...	9	PRICE RANGE AND TRADING VOLUME OF THE INITIAL DEBENTURES	21
Recent Bids	10	PRIOR SALES	22
USE OF PROCEEDS	10	PLAN OF DISTRIBUTION	22
CONSOLIDATED CAPITALIZATION	10	CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	24
EARNINGS COVERAGE RATIOS	10	Status of the Fund	24
STABILITY RATINGS OF THE TRUST UNITS	11	SIFT Rules	25
DESCRIPTION OF THE TRUST UNITS AND TRUST INDENTURE	11	Taxation of the Fund	25
Generally	11	Taxation of Debentureholders	26
Distributions	12	Taxation of Unitholders	28
Issuance of Securities	12	ELIGIBILITY FOR INVESTMENT	29
Redemption Right	12	RISK FACTORS	29
Meetings of Unitholders	13	General	29
Take-Over Bids	13	Risks Associated with Holding Series A Debentures	29
Limitation on Non-Resident Ownership	13	Tax-Related Risks	30
Book-Entry Only System	14	MATERIAL CONTRACTS	31
DESCRIPTION OF THE SERIES A DEBENTURES	14	LEGAL MATTERS	31
Conversion Privilege	15	INTERESTS OF EXPERTS	31
Redemption and Purchase	16	STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	32
Payment upon Redemption or Maturity	16	GLOSSARY OF TERMS	33
Unit Interest Payment Election	16	AUDITORS' CONSENT	38
Cancellation	17	CERTIFICATE OF THE FUND	C-1
Subordination	17	CERTIFICATE OF THE UNDERWRITERS ...	C-2
Priority over Trust Unit Distributions	17		
Put Right upon a Change of Control	17		

SUMMARY

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

Issuer:	The Fund is an unincorporated open-ended trust established under the laws of the Province of Ontario that is in the business of developing, constructing, financing, owning, managing and operating power projects, which efficiently and cleanly produce electricity and, in some cases, steam for sale under long-term contracts. The Fund's natural gas-fired power plants, biomass projects and wind farms are located in Canada, the United States and Germany. See "Summary Description of the Business of the Fund".
Investment Objective of the 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.
Unit Offering:	5,830,000 Offered Units
Unit Price:	\$10.35 per Offered Unit
Debenture Offering:	\$80 million
Series A Debenture Price:	\$1,000 per Series A Debenture
Aggregate Amount of Unit Offering and Debenture Offering:	\$140,340,500
Use of Proceeds:	The estimated net proceeds from the Offerings, after deducting the Underwriters' fee and estimated expenses of the Offerings, will be approximately \$133.4 million, assuming no exercise of the Over-Allotment Option, or approximately \$153.5 million if the Over-Allotment Option is exercised in full. The Fund intends to use the proceeds of the Offerings: (i) as to \$29 to \$35 million to finance the expected equity requirements for the Spy Hill Project; (ii) as to \$34.8 million to finance the Fund's subordinated debt commitments with respect to the Jardin d'Éole Facility; (iii) as to \$4.5 million to finance the Fund's subordinated debt commitments with respect to the Thorold Project; (iv) as to \$21.5 million to finance the Fund's commitment to acquire the remaining ownership interest in Jardin LP due in January 2010; and (v) as to the balance to repay existing indebtedness of the Fund pursuant to a line of credit and for general business purposes of the Fund. See "Use of Proceeds".

Series A Debentures

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, 2009. The first payment will include accrued interest from the Closing Date to December 31, 2009. The Series A Debentures will mature on December 31, 2014. See "Description of the Series A Debentures – General".
Conversion:	The Series A 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 Series A Debentures, at a conversion

price of \$12.42 per Trust Unit (the “Conversion Price”) being a ratio of approximately 80.515 Trust Units per \$1,000 principal amount of Series A Debenture. See “Description of the Series A Debentures – Conversion Privilege”.

Redemption:

The Series A Debentures may not be redeemed by the Fund on or before December 31, 2012. Thereafter, but prior to December 31, 2013 the Series A 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 on the date on which the notice of redemption is given is at least 125% of the Conversion Price. On or after December 31, 2013 and prior to the Maturity Date, the Series A 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 “Description of the Series A Debentures – Redemption and Purchase”.

Payment on Redemption or Maturity:

On redemption or at the Maturity Date, the Fund will repay the indebtedness represented by the Series A Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Series A 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 Series A Debentures which are to be redeemed or which have matured by issuing Trust Units, in whole or in part, to the holders of the Series A Debentures. The number of Trust Units to be issued will be determined by dividing the principal amount of the Series A 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 Series A 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 “Description of the Series A Debentures – 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 66²/₃% 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 Series A 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 Series A 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 “Description of the Series A Debentures – Put Right upon a Change of Control”.

Subordination:

The payment of the principal of, and interest on, the Series A 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 is 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 Series A Debentures. The Series A Debentures will not limit the ability of the Fund to incur additional indebtedness, including indebtedness that ranks senior to the Series A Debentures, or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness. See “Description of the Series A Debentures – Subordination”. The Series A Debentures are unsecured. The Series A Debentures will rank *pari passu* with every other series of debentures that have been issued under the Indenture (as defined herein) including the Initial Debentures.

Ratings: S&P has assigned the outstanding Trust Units a rating of “SR-2”, with a negative outlook, under the income fund stability and sustainability rating scale established by S&P. This rating was last confirmed in April, 2009. See “Stability Ratings of the Trust Units”.

Risk Factors: Investment in the Series A Debentures is subject to a number of risks as set out at pages 52 to 57 of the Fund’s 2008 Annual Report, at pages 34 to 43 of the Fund’s Annual Information Form dated March 13, 2009, at pages 100 and 106 of the Fund’s Management Information Circular dated May 1, 2009 and the risk factors set out herein. See “Risk Factors”.

Canadian Federal Income Tax Considerations: A holder of Series A Debentures will be required to include interest on the Series A Debentures in computing its income.

A holder of Series A Debentures who converts a Series 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 Series A 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 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 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 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 Trust Units and any reasonable costs of disposition.

Prospective purchasers of Trust Units and Series A Debentures should consult their tax advisors regarding the tax implications of an investment in Trust Units and Series A 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 management 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 at pages 52 to 57 of the Fund’s 2008 Annual Report, at pages 34 to 43 of the Fund’s Annual Information Form dated March 13, 2009, at pages 100 to 106 of the Fund’s Management Information Circular dated May 1, 2009, and the risk factors section set out herein. See “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, at 30 St. Clair Avenue West, 17th Floor, Toronto, Ontario, M4V 3A1, telephone (416) 962-6262 ext. 156 and fax (416) 962-6266, and are also available electronically at www.sedar.com.

The following documents of 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 13, 2009 for the year ended December 31, 2008;
- (b) audited consolidated financial statements of the Fund for the year ended December 31, 2008, including the consolidated balance sheets as at December 31, 2008 and 2007 and the consolidated statements of income (loss) and deficit, comprehensive income (loss) and cash flows for the years ended December 31, 2008 and 2007 and related notes (the "Annual Financial Statements"), together with the auditors' report thereon dated February 13, 2009;
- (c) management's discussion and analysis related to the Annual Financial Statements;
- (d) unaudited consolidated financial statements of the Fund for the six months ended June 30, 2009, including the consolidated balance sheets as at June 30, 2009 and December 31, 2008 and the consolidated statements of income and deficit, comprehensive income (loss) and cash flows for the six months ended June 30, 2009 and 2008 and related notes (the "Interim Financial Statements");
- (e) management's discussion and analysis related to the Interim Financial Statements;
- (f) management information circular dated May 1, 2009 (the "May 2009 Circular") prepared in connection with the Fund's annual and special meeting of unitholders of the Fund ("Unitholders") called for June 22, 2009;
- (g) supplement filed July 10, 2009 to the May 2009 Circular (the "July 2009 Supplement");
- (h) the following material change reports filed since December 31, 2008, being the end of the Fund's most recently completed financial year:
 - (1) dated May 1, 2009 with respect to the Fund entering into a share purchase agreement pursuant to which it agreed to acquire all of the issued and outstanding shares of Northland Power Inc. from Northland Power Holdings Inc. indirectly through NPIF Holdings L.P. (the "Acquisition");
 - (2) dated July 24, 2009 with respect to the announcement of the completion of the Acquisition; and
 - (3) dated September 29, 2009 with respect to the announcement of the Offerings and the entering into of a power purchase agreement with Saskatchewan Power Corporation ("SaskPower") described under "Recent Developments – Saskatchewan Peaking Generation Facility"; and
- (i) business acquisition report dated September 23, 2009 with respect to the Acquisition (the "Business Acquisition Report").

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 – *Short Form Prospectus Distributions* 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 the Province of Ontario pursuant to a trust indenture dated February 17, 1997, as supplemented and restated as of July 16, 2009 (the “Trust Indenture”). 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 indirectly has ownership or economic interests in ten power projects totalling over 1,100 megawatts (“MW”) (net 872 MW), which efficiently produce electricity and/or steam for sale under long-term contracts. The Fund’s natural gas-fired power plants, biomass projects and wind farms are located in Canada, the United States and Germany.

The Fund owns all of the outstanding beneficial interests and debt of NPIF Commercial Trust (“CT”), a trust established pursuant to the laws of Ontario. Collectively, the Fund and CT own 62,353,143 Ordinary Units of NPIF Holdings L.P. (“Holdings LP”), an Ontario limited partnership, and CT owns all of the shares of the general partner of Holdings LP. Northland Power Holdings Inc. (“NPHI”), a corporation indirectly wholly-owned by James C. Temerty, the Chair of the Fund, owns all of the 25,645,598 Class A limited partnership units of Holdings LP (“Class A Exchangeable Units”), 8,067,723 Class B limited partnership units of Holdings LP (“Class B Convertible Units”) and 8,496,078 Class C limited partnership units of Holdings LP (“Class C Convertible Units”). After January 16, 2012, the Class A Exchangeable Units are exchangeable into Trust Units on a one-for-one basis and the Class B Convertible Units and Class C Convertible Units are convertible into Class A Exchangeable Units on a one-for-one basis upon the satisfaction of certain conditions related to the development activities of the Fund. Northland Power Inc. (“NPI”) is a wholly-owned subsidiary of Holdings LP.

The following is a description of the facilities owned or managed by entities controlled by Holdings LP. The direct or indirect ownership of Holdings LP is 100% unless otherwise indicated.

Iroquois Falls Power Corp. (“IFPC”) owns 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 (“OEF”) 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. Natural gas is purchased under long-term contracts.

Kingston CoGen Limited Partnership owns a 110 MW natural gas-fired combined cycle cogeneration plant, near Kingston, Ontario. This facility supplies electricity to OEF and purchases natural gas in accordance with the terms of a long-term contract which provides predictable cash flow.

IFPC owns a 19% equity interest (9.5% voting interest), together with an option to increase its equity participation to 49% in 2021, in Panda Energy Corporation (“PEC”). IFPC funded a senior loan to Panda Interfunding Company LLC (“PIC”), a wholly-owned subsidiary of PEC, which had an outstanding balance of US\$63.8 million as at June 30, 2009. The senior loan currently bears interest at the rate of 10.90% and will mature on November 20, 2021. IFPC receives quarterly payments of blended principal and interest. Taken together, the loan to PIC and the equity interest in PEC give the Fund an interest in the 230 MW Panda-Brandywine Facility located in Brandywine, Maryland, just outside Washington, D.C., which sells electrical capacity and energy pursuant to a long-term power purchase agreement (“PPA”) with Sempra Energy Trading LLC.

Mount Miller Wind Energy Limited Partnership, of which Holdings LP’s interest is 97.74%, owns a 54 MW wind farm, near Murdochville, Québec (the “Mont Miller Facility”). All the power produced by the Mont Miller Facility is sold to Hydro-Québec under the terms of a long-term PPA.

Two German limited partnerships own two operating wind farms in Germany. The 7.2 MW Kavelstorf wind farm is located near Rostock in northern Germany and the 14.3 MW Eckolstädt farm is located in the Thuringen region in central Germany. The Kavelstorf wind farm has been operating since April 2001, and the Eckolstädt wind farm has been operating since January 2000. The German Wind Farms supply electricity to regional power utilities and receive a fixed tariff for all energy delivered for a term of approximately 20 years under the provisions of German renewable energy legislation.

NPI owns the land and buildings associated with a 42 MW biomass and natural gas-fired combined cycle facility (the “Cochrane Facility”) located near Cochrane, Ontario which it leases to Cochrane Power Corp., a single purpose corporation managed by NPI and owned by third-party investors. The Cochrane Facility sells electricity to OEFC pursuant to a PPA. NPI receives lease and base management payments and is entitled to a performance incentive fee equal to 75% of the amount by which cash flow exceeds pre-defined amounts payable to the shareholders of Cochrane Power Corp. Based on anticipated cash flow, NPI expects that the shareholders will have received their pre-defined amounts by early 2014 and that thereafter NPI will be receiving management fees in an amount equal to 75% of Cochrane Power Corp.’s cash flow.

NPI owns the land and buildings associated with a 102 MW biomass and natural gas-fired combined cycle baseload power plant and a 30 MW natural gas-fired peaking facility (the “Kirkland Lake Facility”) located near Kirkland Lake, Ontario which it leases to Kirkland Lake Power Corp., a single purpose corporation managed by NPI and owned by third-party investors. The Kirkland Lake Facility sells electricity to OEFC pursuant to a PPA. NPI receives lease and base management payments and is entitled to a performance incentive fee equal to 75% of the amount by which cash flow exceeds pre-defined amounts payable to the shareholders of Kirkland Power Corp. Based on anticipated cash flow, NPI expects that the shareholders will have received their pre-defined amounts by late 2011 and the original project debt will have been repaid. As a result NPI will effectively be entitled to 75% of Kirkland Lake Power Corp.’s cash flow after deduction of the peaking facility debt service costs.

Thorold CoGen L.P. (“Thorold LP”) owns a 265 MW (nominal) natural gas-fired cogeneration facility (the “Thorold Facility”) located in Thorold, Ontario adjacent to the AbitibiBowater Thorold Mill that will serve as the steam host for this facility. Construction of the Thorold Facility began in August 2007. Commercial operations are targeted to begin in February 2010, several weeks ahead of schedule. Thorold LP has entered into a combined heat and power contract with the Ontario Power Authority (“OPA”) that provides that the OPA will pay Thorold LP for capacity based on a specified contracted capacity of 236.4 MW and a specified heat rate. The term of the contract is 20 years from the commercial operations date and can be extended by mutual agreement. Thorold LP will purchase natural gas at market prices for use at the Thorold Facility. The Thorold Facility will operate to produce electricity for sale to Ontario’s wholesale electricity market when such electricity market prices exceed the market price of natural gas and other variable operating costs.

NPI owns all of the general partner interests and 33.5% of the limited partner interests in Jardin LP and through a wholly-owned subsidiary has agreed to buy from two corporations indirectly owned by James C. Temerty (the “Jardin Vendors”) the other 66.5% on January 31, 2010 for an aggregate purchase price of \$21.5 million. Jardin LP owns a 127.5 MW wind farm located on the Gaspé Peninsula in the Province of Québec (the “Jardin d’Éole Facility”). Construction of the Jardin d’Éole Facility began in May 2008. It is expected that commercial operations will begin in November 2009. All electric energy generated by the Jardin d’Éole Facility will be sold to Hydro-Québec under a 20-year electricity supply contract at a fixed escalating energy tariff.

NPI has a development portfolio of power projects at various stages of maturity. In some cases, these projects are being developed in response to specific procurement plans announced by OPA, Hydro-Québec, SaskPower or other entities. In other cases, they are being developed to meet anticipated needs for new power in various jurisdictions or using innovative generation technologies. There can be no assurance that any of these projects will be successfully developed. For recent developments relating to the development portfolio, see “Recent Developments – Saskatchewan Peaking Generation Facility” and “Recent Developments – Recent Bids”.

The Fund’s policy is to pay monthly cash distributions to Unitholders. The Trustees determine the amount of cash to be distributed (consistent with the Fund’s commitment to the stability and sustainability of future distributions) after providing for amounts required to administer and operate the Fund and for capital expenditures, capital and other reserves, and increases in working capital that, in their judgement, ensure the Fund’s long-term success.

Investment Objective of the Fund

The investment objective of the Fund, as set out in the Trust Indenture, is to produce stable and sustainable levels of cash available for distribution to Unitholders from (a) assets, businesses, acquisitions and investments related to the generation, production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy and energy-related projects and fuels; (b) the development, rehabilitation, construction, financing, ownership, operation and maintenance and disposition of facilities related thereto; and (c) any ancillary businesses related thereto.

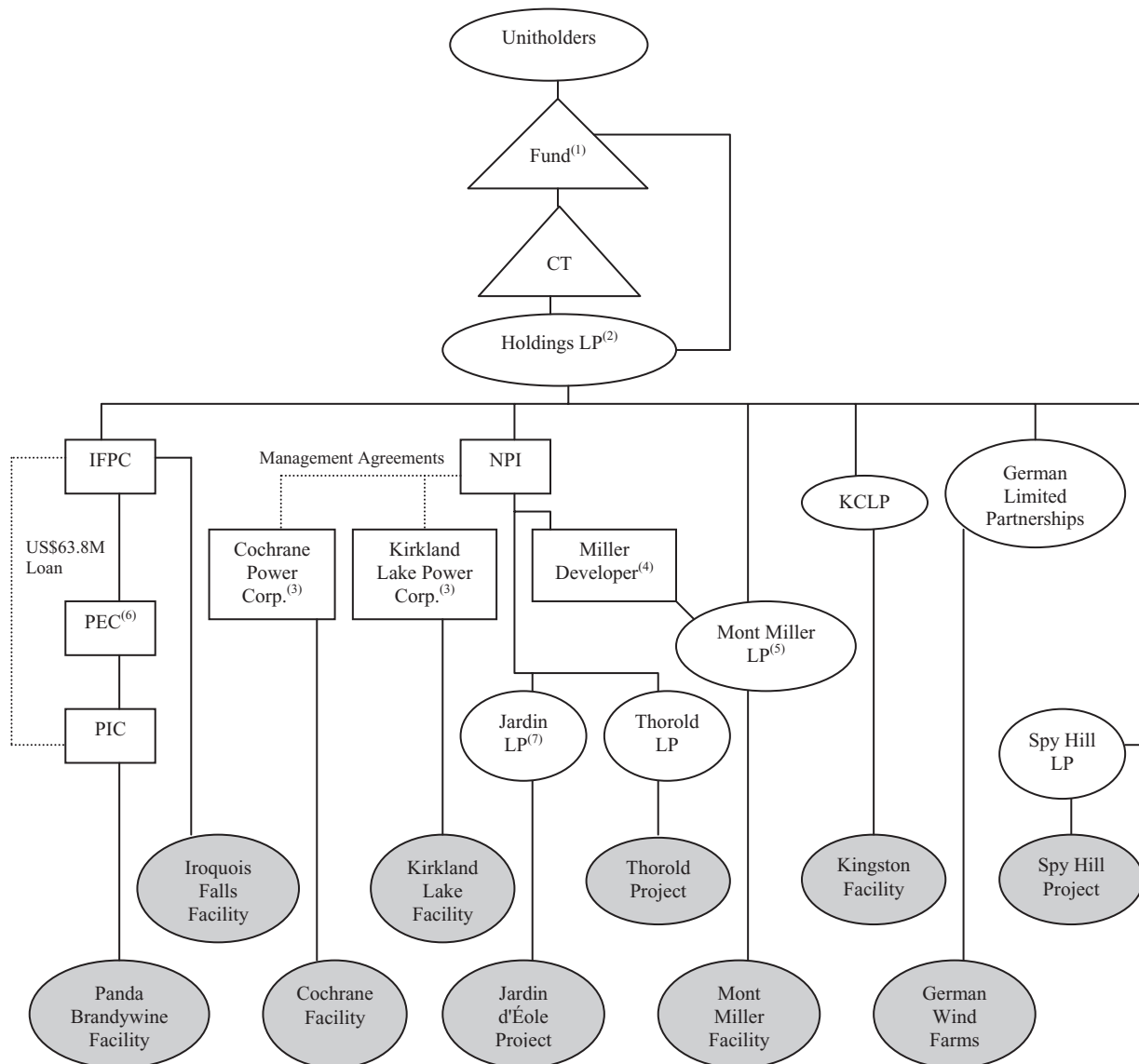
Acquisition and Investment Guidelines

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.
- (b) An acquisition or investment must reasonably be expected to result in an increase in cash available for distribution per Trust Unit or to otherwise provide value to the Unitholders. If the acquisition or investment involves construction, rehabilitation or development, the increase in cash available for distribution 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” under the Tax Act.

Organizational Structure

The simplified organizational structure of the Fund is as follows (ownership interest is 100% except as indicated in the footnotes):



Notes:

- (1) NPHI, a corporation indirectly owned by James C. Temerty, owns 34,141,676 Special Voting Units, representing a voting interest of 35.4% in the Fund.
- (2) CT owns the general partnership interest and, with the Fund, owns 62,353,143 Ordinary Units of Holdings LP representing a 70.9% ownership interest in Holdings LP, although the Ordinary Units entitle CT to 100% of the distributions from Holdings LP until January 16, 2012. NPHI owns 25,645,598 Class A Exchangeable Units, representing a 29.1% ownership interest and, after January 16, 2012, entitlement to distributions. NPHI also owns 8,067,723 Class B Convertible Units and 8,496,078 Class C Convertible Units which are convertible into Class A Exchangeable Units on a one-for-one basis upon the satisfaction of certain conditions related to the development activities of the Fund.
- (3) Cochrane Power Corp. and Kirkland Lake Power Corp. are owned by arm's length institutional investors. NPI, as manager, receives lease and base management payments and expects in the future to receive a performance incentive fee equal to 75% of cash flow of the applicable corporation. See "Summary Description of the Business of the Fund".
- (4) NPI owns 50% of Miller Developer. The other 50% is owned by an arm's length third party.
- (5) Holdings LP owns the general partner of, and 95.48% of the limited partnership interests in, Mont Miller LP. Miller Developer owns the remaining 4.52% of the limited partnership interests.
- (6) IFPC owns a 19% equity interest (9.5% voting interest), together with an option to increase its equity participation to 49% in 2021, in PEC. The balance is owned by an arm's length third party.
- (7) NPI owns all of the general partner interests and 33.5% of the limited partnership interests in Jardin LP and, through a wholly-owned subsidiary, has agreed to buy the remaining 66.5% limited partnership interests from the Jardin Vendors on January 31, 2010 for an aggregate purchase price of \$21.5 million.

RECENT DEVELOPMENTS

Merger with Northland Power Inc.

On July 16, 2009 the Fund completed its merger with NPI by acquiring all of the issued and outstanding shares of NPI. The merger was paid for with securities that are exchangeable into Trust Units of the Fund on or after January 16, 2012. Until then, these securities will not receive cash distributions. The merger was approved by the requisite majorities of the Fund's Unitholders on July 16, 2009. The merger and all related transactions are described in detail in the May 2009 Circular as supplemented by the July 2009 Supplement and the Business Acquisition Report.

With the merger, the Fund now has ownership or economic interests in 10 power projects totalling over 1,100 MW (net 872 MW) that include clean natural gas-fired plants as well as renewable wind and biomass projects. The merger has internalized management and created significant alignment through management's ownership of up to 47% of the Fund if all exchangeable securities are converted to Trust Units. The Fund's average power purchase agreement duration has been extended to 14 years. The merger has provided the Fund with an additional \$600 million of tax deduction pools which, combined with cash flow from NPI's four projects (i.e. the Cochrane, Kirkland Lake, Thorold and Jardin d'Éole Facilities), will provide cash available for distribution to help to maintain the Fund's annual distributions of \$1.08 per Trust Unit even after the imposition of the SIFT Rules in 2011. In addition, the merger provides the Fund with the ability to grow organically by generating its own development opportunities, as well as bringing in NPI's 3,600 MW pipeline of high-quality development prospects.

Saskatchewan Peaking Generation Facility

On September 24, 2009, a wholly-owned subsidiary of the Fund entered into a 25-year PPA with SaskPower to construct and operate an electricity generation facility to sell electricity to the Saskatchewan energy system at times of peak demand. The PPA was awarded to NPI following a successful bid in SaskPower's RFP to provide between 80 and 110 MW of peaking power.

The 86 MW natural-gas-fired peaking plant (the "Spy Hill Project") will be built near Spy Hill, Saskatchewan, about 200 km east of Regina. All power produced by the Spy Hill Project will be sold under the PPA to SaskPower. The Spy Hill Project will use two General Electric LM 6000 gas turbines to produce the electricity and will be situated on land leased from SaskPower. Construction is expected to begin in June 2010, and the Spy Hill Project is scheduled to begin commercial operations no later than December 1, 2011. The total cost of the project is approximately \$145 million.

Under the PPA, the Spy Hill Project will receive monthly payments that are designed to cover all fixed costs and investment returns and will escalate at a rate of 2% per annum. The PPA also provides protection against changes in the market price of natural gas, as fuel costs are passed through to SaskPower. NPI will be responsible for operating the plant to achieve specified efficiency and reliability levels. The contractual structure of the Spy Hill Project is designed to ensure predictable, stable and sustainable cash flows over the entire 25-year term of the PPA.

Recent Bids

On July 8, 2009, NPI submitted its Royal Windsor (Mississauga) Project in response to the OPA's request for proposals ("RFP") for gas-fired intermediate capacity in the southwest greater Toronto area. The outcome of the bidding process has not yet been announced by the OPA.

On September 17, 2009, NPI submitted a bid in response to a SaskPower RFP for baseload generation. NPI had been pre-qualified for this RFP process. The RFP is for between 200 MW and 400 MW of new intermediate to baseload generation to be in service for the 2012/2013 winter season. It is expected that the successful proponent will be announced in November, 2009.

USE OF PROCEEDS

The estimated net proceeds from the Offerings, after deducting the Underwriters' fee and estimated expenses of the Offerings, will be approximately \$133.4 million, assuming no exercise of the Over-Allotment Option, or approximately \$153.5 million if the Over-Allotment Option is exercised in full. The Fund intends to use the proceeds of the Offerings: (i) as to \$29 to \$35 million to finance the expected equity requirements for the Spy Hill Project; (ii) as to \$34.8 million to finance the Fund's subordinated debt commitments with respect to the Jardin d'Éole Facility; (iii) as to \$4.5 million to finance the Fund's subordinated debt commitments with respect to the Thorold Project; (iv) as to \$21.5 million to finance the Fund's commitment to acquire the remaining ownership interest in Jardin LP due in January 2010; and (v) as to the balance to repay existing indebtedness of the Fund pursuant to a line of credit and for general business purposes of the Fund.

The net proceeds from the Offerings are being used primarily to fund commitments already incurred by the Fund, each of which is consistent with the Fund's investment objective of producing 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.

The Jardin Vendors, which are indirectly owned by James C. Temerty, the Chair of the Fund, will receive \$21.5 million of the gross proceeds of the Offerings in January, 2010 in connection with the Fund's acquisition of the remaining interests in the Jardin d'Éole Facility.

CONSOLIDATED CAPITALIZATION

Other than the issuance of Trust Units and securities convertible into Trust Units on July 16, 2009 in connection with the Acquisition as described under the heading "Prior Sales" below, there have been no material changes in the capital of the Fund, on a consolidated basis, since June 30, 2009.

As at June 30, 2009, the Fund had 62,353,143 Trust Units outstanding. In addition, the Fund had \$29.04 million of Initial Debentures outstanding, which are convertible at the option of the holder at any time into fully paid Trust Units at a conversion price of \$12.50 per Trust Unit. The outstanding long-term debt of the Fund (excluding current portion and derivative financial instruments) as at June 30, 2009 was approximately \$101.6 million.

EARNINGS COVERAGE RATIOS

The Fund's interest obligations after giving effect to the issue of the Series A Debentures amounted to approximately \$18.1 million for the twelve months ended December 31, 2008 and approximately \$18.6 million for the twelve months ended June 30, 2009. The Fund's income before interest and income taxes on a reported basis for the twelve months ended December 31, 2008 was approximately \$66.5 million. The Fund's income before interest and income taxes for the twelve months ended June 30, 2009 on a reported basis was approximately \$64.1 million. The interest coverage ratio for the twelve months ended December 31, 2008 and for the twelve months ended June 30, 2009 was 3.67 times and 3.45 times, respectively.

Based upon the pro forma consolidated income statements of the Fund for the twelve months ended December 31, 2008 giving effect to the Acquisition, the Fund's income before interest and income taxes was approximately \$9.3 million and for the six months ended June 30, 2009, the Fund's income before interest and income taxes was approximately \$39.4 million. Based on such income statements, the interest coverage ratio for the twelve months ended December 31, 2008 and for the six months ended June 30, 2009 was 0.27 and 1.47, respectively. The interest coverage ratio for the twelve months ended December 31, 2008 is adversely affected by certain non-cash items such as mark to market adjustments and amortization and inclusion of capitalized interest that is funded by non-recourse project debt.

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.

S&P has assigned the outstanding Trust Units a rating of “SR-2”, with a negative outlook, under the income fund stability and sustainability rating scale established by S&P. This rating was last confirmed in April, 2009.

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.

DESCRIPTION OF THE 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 is authorized and may be issued pursuant to the Trust Indenture. The Fund currently has 62,353,143 Trust Units outstanding. Each Trust Unit represents 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.

An unlimited number of Special Voting Units is authorized and may be issued pursuant to the Trust Indenture. Special Voting Units are issued only to holders of record of Class A Exchangeable Units and Class C Convertible Units and are issued only at the time of issuance of such Class A Exchangeable Units and Class C Convertible Units. Special Voting Units are not transferable, except together with the Class A Exchangeable Units or Class C Convertible Units. Each Special Voting Unit entitles the holder of record thereof (a “Special Voting Unitholder”) to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders. Special Voting Unitholders are not entitled, by virtue of being Special Voting Unitholders, to any other beneficial interests, including any rights with respect to the Fund’s undertaking, property, assets, or income. Special Voting Units will be automatically redeemed and cancelled by the Fund at the time of exchange of their related Class A Exchangeable Units. Such Special Voting Units will no longer be outstanding and cannot be reissued.

The Trust Units and Special Voting Units have no conversion or pre-emptive rights, other than the pre-emptive right of NPHI. For so long as James C. Temerty and/or a Temerty Entity (as defined in the Trust Indenture) controls NPHI and for so long as NPHI and James C. Temerty and/or the Temerty Entities collectively hold, directly or indirectly, not less than 20% of the issued and outstanding Trust Units, Class A Exchangeable Units, and Class C Convertible Units, taken together, no Trust Units or Exchangeable Securities (as defined in the Trust Indenture) (other than the Replacement Rights (as defined in the Trust Indenture)) (“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 unless NPHI is offered the opportunity 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. The pre-emptive right of NPHI does 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 Trust Indenture; (b) any Exchangeable Securities outstanding as of July 16, 2009; (c) any employee or executive compensation arrangements made prior to or after July 16, 2009, including the LTIP (as defined in the Trust Indenture); or (d) any distribution reinvestment plans of the Fund.

NPHI has waived its pre-emptive rights in connection with the Offerings.

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 the board of trustees of the Fund (the “Trustees”)), (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 Trustees consider, in their 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 Trustees and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie of a combination of notes of CT (“NPIF Commercial Trust Notes”) of a series and class (or a combination of series and classes) and in a principal amount determined by the Trustees having fair market value equal to the in specie Redemption Price as determined by the Trustees in their 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 Trustees may require CT to redeem units of CT (“NPIF Commercial Trust Units”) and/or 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 Trustees.

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), and to authorize the termination, liquidation or winding-up of the Fund.

Special meetings of Unitholders may be called at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by Unitholders holding in the aggregate not less than 5% of the outstanding Trust Units. 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 Trustees become 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 Trustees 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 Trustees determine that a majority of the Trust Units are held by non-residents, the Trustees 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 Trustees 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 Trustees with satisfactory evidence that the beneficial owners are not non-residents within such period, the Trustees 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 Only System

Registration of interests in and transfers of the Trust Units will be made only through the book-entry only 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.

DESCRIPTION OF THE SERIES A DEBENTURES

The following description of the Series A Debentures is a brief summary of their material attributes and characteristics. The following summary uses words and terms which are defined in the Indenture. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture.

The Series A Debentures will be issued as a new series under and pursuant to the provisions of the trust indenture dated August 26, 2004, as it may be amended and restated, and a supplement thereto to be dated as of the closing of the Offerings (the "Indenture"), between the Fund and Computershare Trust Company of Canada, in its role as trustee under the Indenture (the "Debenture Trustee").

The Series A Debentures will be limited in the aggregate principal amount to \$92 million. 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 Series A Debentures offered hereby. The Series A Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At the closing of the Offerings, the Series A Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Series A Debentures will not have the right to receive physical certificates evidencing their ownership of Series A Debentures except under certain circumstances described under "Description of the Series A Debentures – Book-Entry Only System, Delivery and Form". No fractional Series A Debentures will be issued.

The Series A Debentures will bear interest from the date of issue at 6.25% per annum, which will be payable semi-annually on June 30 and December 31 in each year, commencing December 31, 2009; the first payment will include accrued and unpaid interest for the period from the Closing Date to December 31, 2009. Interest will be payable based on a 365-day year. The interest on the Series A 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 Series A Debentures, but, in any event, the Debentureholders shall be entitled to receive cash payments equal to the interest payable on the Series A Debentures. See "Description of the Series A Debentures – Unit Interest Payment Election".

The principal on the Series A 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 Series A Debentures, as further described under "Description of the Series A Debentures – Payment upon Redemption or Maturity", "Description of the Series A Debentures – Redemption and Purchase" and "Description of the Series A Debentures – Put Right Upon a Change of Control".

The Series A 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

“Description of the Series A Debentures – Subordination”. The Indenture does 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 Series A Debentures will rank *pari passu* with every other series of debentures that have been issued under the Indenture including the Initial Debentures.

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

Conversion Privilege

The Series A 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 Series A Debentures, at a conversion price of \$12.42 per Trust Unit (the “Conversion Price”), representing a premium of approximately 14% over the closing price on the TSX on September 24, 2009 and 20% of the offering price of the Offered Units, being a ratio of approximately 80.515 Trust Units per \$1,000 principal amount of Series A Debentures. No adjustment to the Conversion Price will be made for distributions on Trust Units issuable upon conversion for distributions paid by the Fund on Trust Units or for interest accrued on Series A Debentures surrendered for conversion; however, holders converting their Series A 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 from the latest interest payment date, up to and including the last record date set by the Fund prior to the date of conversion for determining Unitholders entitled to receive a distribution on the Trust Units. Notwithstanding the foregoing, no Series A 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 provides 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 “Description of the Series A Debentures – 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 the prior written consent of the TSX, the holders of the Series A Debentures are allowed to participate as though they had converted their Series A 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 Series A 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 Series A 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 Series A 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 Series A Debentures may not be redeemed by the Fund on or before December 31, 2012. Thereafter, but prior to December 31, 2013, the Series A 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 on the date which the notice of redemption is given is at least 125% of the Conversion Price. On or after December 31, 2013 and prior to the Maturity Date, the Series A 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 Series A 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 Series A Debentures by private contract.

In the case of redemption of less than all of the Series A Debentures, the Series A 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 Series A Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Series A 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 Series A Debentures which are to be redeemed or which have matured by issuing Trust Units, in whole or in part, to the holders of the Series A Debentures. The number of Trust Units to be issued will be determined by dividing the principal amount of the Series A 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" is 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 Series A Debentures in accordance with the Indenture (the "Unit Interest Payment Election"). The Indenture provides 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 Series A 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 Series A 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 is 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 Series A Debentures. The Indenture does not limit the ability of the Fund to incur additional indebtedness, including indebtedness that ranks senior to the Series A Debentures, or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

The Indenture provides 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 Series A 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 Series A 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").

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 Series A Debentures, as well as the amount payable upon redemption or maturity of the Series A 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 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 (a "Change of Control"), each holder of Series A 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 Series A 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 Series A 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 Series A 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 Series A Debentures not tendered for purchase. The principal on the Series A 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 Series A Debentures.

The Indenture contains 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 Series A Debentures and the right of the Fund to redeem untendered Series A Debentures under certain circumstances; and
- (b) a holder of Series A Debentures, to exercise the right to require the Fund to purchase its Series A 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 Series A Debentures in the event of a Change of Control.

Modification

The rights of the holders of the Series A 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 contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % 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 66 $\frac{2}{3}$ % of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of Debentures of each particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the Debentureholders.

Events of Default

The Indenture provides that an event of default ("Event of Default") in respect of the Series A 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 Series A Debentures: (i) failure for 15 days to pay interest on the Series A Debentures when due; (ii) failure to pay principal or premium, if any, on the Series A 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 Series A Debentures, declare the principal of (and premium, if any) and accrued interest on all outstanding Series A Debentures to be immediately due and payable.

Offers for Series A Debentures

The Indenture contains provisions to the effect that if an offer is made for the Series A Debentures which is a take-over bid for Series A Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Series A Debentures (other than Series A 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 Series A 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

Series A Debentures are resident. 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 Fund may make a public announcement thereof and direct the Debenture Trustee not to register a transfer of Series A 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 Series A Debentures, the Fund may send a notice to non-resident Debentureholders, chosen in inverse order to the order of acquisition or registration of the Series A Debentures or in such manner as the Fund may consider equitable and practicable, requiring them to sell their Series A 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 Series A 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 Series A Debentures and, in the interim, shall suspend the conversion rights attached to such Series A 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 Series A Debentures.

Book-Entry Only System, Delivery and Form

The Series A Debentures will be represented only in “book-entry only” form (unless the Fund, in its sole discretion, elects to prepare and deliver definitive Series A Debentures in fully-registered form). Beneficial interests in the Series A Debentures, constituting ownership of the Series A 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 Series A Debenture will receive a customer confirmation of purchase from the Underwriter or Underwriters from whom the Series A 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 the Series A Debentures.

If CDS notifies the Fund that it is unwilling or unable to continue as depository in connection with the Series A 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 only system, with the consent of the Debenture Trustee, beneficial owners of Series A Debentures at such time will receive Series A Debentures in registered and definitive form (the “Definitive Series A Debentures”).

Transfer and Exchange of Series A Debentures

Transfers of beneficial ownership in Series A Debentures will be effected through records maintained by CDS for such Series A 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 Series A Debentures, beneficial owners who are not participants in CDS’s book-entry only system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Series A Debentures, may do so only through participants in CDS’s book-entry only system.

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

Registered holders of Definitive Series A Debentures may transfer such Series A Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Series A Debentures to the registrar for the Series A 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 Series A Debentures will be issued in authorized denominations in the same aggregate principal amount as the Series A Debentures so transferred, registered in the names of the transferees. No transfer of a Series A Debenture will be registered during the period beginning 15 days before the day of the mailing of a notice of redemption of the Series A 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 the Series A Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Series A Debentures. As long as CDS or its nominee is the registered owner of the Series A Debentures, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Series A Debentures for the purposes of receiving payments of interest and principal on the Series A Debentures and for all other purposes under the Indenture and the Series A Debentures. The record date for the payment of interest will be June 15 and December 15 (or the first business day following such date if not a business day). Interest payments on Series A 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 the Series A Debentures, 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 Series A Debentures 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 Series A Debentures 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 Series A Debentures is limited solely and exclusively to making payment of any interest and principal due on such Series A Debentures to CDS or its nominee.

If Definitive Series A Debentures are issued, payments of interest on each Definitive Series A Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Series A 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 Series A Debentures, at the close of business on June 15 and December 15 (or the first business day following such date if not a business day, a business day for this purpose being a day on which banking institutions are open in the City of Toronto). 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 Series A Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Series A 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 Series A 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 Series A 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.

PRICE RANGE AND TRADING VOLUME OF THE TRUST UNITS

The outstanding Trust Units are traded on the TSX under the trading symbol “NPL.UN”. The following table sets forth the monthly high and low trading prices and trading volumes of the Trust Units as reported by the TSX since January 1, 2008:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2008			
January	\$12.45	\$10.42	4,546,900
February	\$12.98	\$11.78	1,607,800
March	\$12.92	\$11.88	3,331,000
April	\$13.11	\$12.51	1,372,700
May	\$13.05	\$12.00	1,155,700
June	\$13.50	\$12.41	1,742,200
July	\$12.97	\$11.13	1,342,500
August	\$12.94	\$12.08	928,400
September	\$13.00	\$11.45	1,645,200
October	\$12.30	\$ 8.45	3,559,000
November	\$12.00	\$10.11	2,051,200
December	\$11.85	\$10.06	2,098,800
2009			
January	\$12.00	\$10.92	1,785,300
February	\$11.35	\$ 9.32	1,499,500
March	\$11.17	\$ 9.60	1,812,200
April	\$10.35	\$ 9.30	2,181,900
May	\$ 9.97	\$ 9.41	2,669,100
June	\$10.15	\$ 9.18	3,274,000
July	\$10.89	\$ 9.36	3,523,300
August	\$10.65	\$10.21	3,242,900
September (to September 28)	\$10.94	\$10.00	6,051,803

PRICE RANGE AND TRADING VOLUME OF THE INITIAL DEBENTURES

The outstanding Initial Debentures are traded on the TSX under the trading symbol “NPL.DB”. The following table sets forth the monthly high and low trading prices and trading volumes of the Initial Debentures (per \$100 principal amount) as reported by the TSX since January 1, 2008:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2008			
January	\$105.00	\$100.26	339,000
February	\$102.52	\$101.28	62,000
March	\$104.00	\$102.00	155,000
April	\$106.37	\$103.50	326,000
May	\$106.26	\$102.52	949,000
June	\$108.00	\$103.62	668,000
July	\$104.00	\$100.33	296,000
August	\$104.00	\$101.90	196,000
September	\$104.34	\$ 99.52	796,000
October	\$100.00	\$ 85.00	2,436,000
November	\$100.75	\$ 95.00	612,000
December	\$100.25	\$ 95.00	593,000

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2009			
January	\$101.00	\$ 99.50	394,000
February	\$101.00	\$ 98.00	533,000
March	\$102.00	\$ 99.00	276,000
April	\$101.40	\$100.00	339,000
May	\$102.50	\$100.05	444,000
June	\$102.00	\$100.50	290,000
July	\$105.00	\$100.80	238,000
August	\$104.99	\$101.00	138,000
September (to September 28)	\$104.00	\$102.00	87,000

PRIOR SALES

On July 16, 2009, the Fund issued 2,312,367 Trust Units at a price of \$10.62 per Trust Unit to acquire outstanding indebtedness of NPI in the amount of \$24,557,333 from JCT Management Inc., a corporation indirectly wholly-owned by James C. Temerty, the Chair of the Fund.

On the same date, Holdings LP acquired all of the outstanding shares of NPI from NPFI, a corporation indirectly wholly-owned by James C. Temerty, in exchange for 25,645,598 Class A Exchangeable Units, 8,067,723 Class B Convertible Units and 8,496,078 Class C Convertible Units. The Class A Exchangeable Units are exchangeable on a one-for-one basis into Trust Units after January 16, 2012 (the “Conversion Date”). The Class B Convertible Units and the Class C Convertible Units are convertible into Class A Exchangeable Units on a one-for-one basis contingent upon certain specified conditions relating to the successful development of the development projects of NPI. One Special Voting Unit was issued together with each Class A Exchangeable Units and each Class C Convertible Unit.

In connection with the Acquisition, the Fund also issued to seven officers and employees of NPI the right to acquire 6,032,191 Trust Units in exchange for their rights under the long-term incentive plan of NPI.

PLAN OF DISTRIBUTION

Pursuant to the underwriting agreement dated September 29, 2009 between the Fund and the Underwriters (the “Underwriting Agreement”), the Fund has agreed to issue and sell an aggregate of 5,830,000 Trust Units and an aggregate of \$80 million principal amount of Series A Debentures to the Underwriters, and the Underwriters have agreed to purchase such Offered Units and Series A Debentures on October 15, 2009 or such other date as the Fund and the Underwriters may agree, but in any event, not later than October 22, 2009. Delivery of such Offered Units and Series A Debentures is conditional upon payment on closing by the Underwriters to the Fund of \$10.35 per Offered Unit and \$1,000 per Series A Debenture for a total consideration of \$140,340,500, against delivery of certificates representing such Offered Units and Series A Debentures or the issuance or authentication of the Series A Debentures in uncertificated format, as applicable, and subject to compliance with all necessary legal requirements and to the conditions contained in the Underwriting Agreement. The Underwriting Agreement provides that the Fund will pay or cause to be paid to the Underwriters a fee of \$0.5175 per Offered Unit in consideration for its services in connection with the Unit Offering and a fee of \$40 per Series A Debenture in consideration of their services in connection with the Debenture Offering.

The Fund has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part and at any time up to the 30th day following the date of the closing of the Offerings, to purchase from the Fund up to 874,500 additional Trust Units and up to \$12 million principal amount of Series A Debentures on the same terms and conditions set forth above solely to cover over-allotments, if any. This Prospectus also qualifies the granting of the Over-Allotment Option and the distribution of Trust Units or Debentures, as applicable, that may be offered in relation to the Over-Allotment Option.

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 Offered Units and all Series A Debentures agreed to be purchased under the Underwriting Agreement. The Fund 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 Offered Units and Series A Debentures are issued pursuant to the closing of the Offerings under this Prospectus (the “Closing Date”). James C. Temerty and his associates will not sell, any equity securities or other securities convertible into equity securities of the Fund, without the prior consent of CIBC World Markets for a period of 90 days following the closing of the Offerings, such consent not to be unreasonably withheld; provided that, for greater certainty, this provision shall not prevent Louise Temerty or Leah Temerty, Mr. Temerty’s wife and daughter, from selling an aggregate of 16,000 Trust Units specified in their respective Forms 45-102F1 to National Instrument 45-102 – *Resale of Securities* filed on SEDAR on August 20, 2009 and refiled on September 23, 2009.

Pursuant to policy statements of certain securities commissions or regulatory authorities, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Offered Units or Series A Debentures. The foregoing restriction is subject to exceptions, including a bid or purchase permitted under the rules of 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 Underwriters propose to offer the Offered Units and Series A Debentures initially at their respective offering prices fixed in this Prospectus. After a reasonable effort has been made to sell all the Offered Units and Series A Debentures at the offering prices fixed in this Prospectus, the Underwriters may subsequently reduce the selling prices to investors, which selling prices may change from time to time, to an amount not greater than the respective offering prices fixed in this Prospectus, in order to sell any Offered Units and/or Series A Debentures remaining unsold. Any such reduction should not affect the proceeds received by the Fund.

Each of CIBC World Markets, BMO Nesbitt Burns Inc., National Bank Financial Inc. and Scotia Capital 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 the Banks for purposes of the securities legislation of certain Canadian provinces. As at the date hereof, \$84.5 million was outstanding under such credit facilities, including \$53.5 million by way of letters of credit.

The decision to distribute the Offered Units and Series A Debentures hereunder and the determination of the terms of the Offerings were made through negotiations between the Fund and the Underwriters.

There are certain limitations imposed on non-resident ownership of the Trust Units and Series A Debentures. See “Description of the Trust Units and Trust Indenture – Limitation on Non-Resident Ownership” and “Description of the Series A Debentures – Limitation on Non-Resident Ownership”.

The Offerings are being made in each of the provinces of Canada. The Offered Units, Series A Debentures and the Trust Units issuable upon conversion, redemption, repurchase or maturity of the Series A Debentures or to fund an interest payment thereon have not and will not be 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 Trust Units or the Series A Debentures offered hereby within the United States except for sales pursuant to an exemption from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offerings, an offer or sale of Trust

Units or Series A Debentures within the United States by any dealer (whether or not participating in the Offerings) 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.

The Fund has applied to list the Offered Units, the Series A Debentures and the Trust Units issuable on conversion of the Series A Debentures on the TSX. Listing will be subject to the Fund fulfilling all listing requirements of the TSX.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Fasken Martineau DuMoulin 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 an investor who acquires Series A Debentures or Trust Units 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 Series A Debentures or Trust Units as capital property. Generally, Series A Debentures and Trust Units will be considered to be capital property to a holder provided that the holder does not hold the Series A 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 or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Series A Debentures or 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", any holder an interest in which is a "tax shelter investment" or a holder to whom the "functional currency" rules apply (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, the certificate of the Fund 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 Series A Debentures or Trust Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Series A 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 Series A Debentures or Trust Units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Series A Debentures or Trust Units based on their particular circumstances.

Status of the Fund

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.

SIFT Rules

New rules (the “SIFT Rules”) relating to the federal income taxation of publicly traded income trusts (each a “SIFT trust”) and certain other publicly traded flow-through entities were enacted on June 22, 2007.

The SIFT Rules apply to trusts that are resident in Canada for purposes of the Tax Act, that hold one or more “non-portfolio properties”, and the units of which are listed on a stock exchange or other public market. In the case of a trust that was a SIFT trust on October 31, 2006, the SIFT Rules generally will not take effect until January 1, 2011, provided the trust experiences only “normal growth” and no “undue expansion” before then unless such excess growth arises under a prescribed transaction. On December 15, 2006 the Department of Finance issued guidelines with respect to what would be considered “normal growth” for this purpose (the “Growth Guidelines”).

Pursuant to the SIFT Rules, a SIFT trust will be subject to tax on its income from non-portfolio properties and taxable capital gains from dispositions of non-portfolio properties at a rate comparable to the combined federal and provincial corporate income tax rate and distributions of such income to unitholders will be treated as eligible dividends paid by a taxable Canadian corporation.

The Growth Guidelines indicate that the Fund will not lose the benefit of the deferred application of the new SIFT Rules to 2011 if the equity capital of the Fund does not grow as a result of issuances of new equity (or equity equivalents) by an amount that exceeds the greater of \$50 million and an objective “safe harbour” amount based on the Fund’s market capitalization as the end of trading on October 31, 2006 (measured in terms of the value of the Fund’s issued and outstanding publicly traded units, which for this purpose, does not include debt, options or other interests convertible into units) (the “October 31, 2006 Benchmark”).

For the period from November 1, 2006 to the end of 2007, the Growth Guidelines originally provided that a SIFT trust’s safe harbour would be 40% of the October 31, 2006 Benchmark. For each of the 2008, 2009 and 2010 calendar years, the Growth Guidelines originally provided that a SIFT trust’s safe harbour would be 20% of the October 31, 2006 Benchmark. On December 4, 2008, the Department of Finance announced changes to the Growth Guidelines to allow a SIFT trust to accelerate the utilization of the SIFT trust’s annual safe harbour amount for each of 2009 and 2010 so that the safe harbour amount is available on and after December 4, 2008. This change does not alter the maximum permitted expansion threshold for a SIFT trust, but it allows a SIFT trust to use its normal growth room remaining as of December 4, 2008 in a single year rather than staging a portion of the normal growth room over the 2009 and 2010 years.

These safe harbour amounts are cumulative so that a SIFT trust that increases its equity capital by less than the maximum permitted amount in a particular year will have additional safe harbour “room” in subsequent years. Therefore, a SIFT trust is allowed growth over the four year transition period of up to 100% of its October 31, 2006 Benchmark. Based on certain representations from management, the offering of Trust Units and Series A Debentures pursuant to this short form prospectus should not cause, by itself, the Fund to be subject to the SIFT Rules prior to its 2011 taxation year. However, no assurance can be provided that the SIFT Rules will not apply to the Fund prior to 2011.

Taxation of the Fund

In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year and net 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. The Fund will generally be entitled to deduct reasonable costs and expenses incurred by the Fund (and not reimbursed) in connection with the issuance of the Trust Units and Series A Debentures over five years at a rate of 20% per taxation year, subject to pro-ration for short taxation years.

Subject to the SIFT Rules, to the extent that the Fund has any income for a taxation year after the inclusions and deductions outlined above, the Fund will be permitted to deduct all amounts of income which are paid or become

payable by it to Unitholders in the year. An amount will be considered payable to a Unitholder in a taxation year only if it is paid in the year by the Fund or the Unitholder is entitled in the year to enforce payment of the amount. Counsel is advised that the Fund 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. As a result of such deductions from income, it is expected that the Fund will not be liable for any material amount of tax under the Tax Act prior to the application of the SIFT Rules, however no assurances can be given in this regard.

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 of 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 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 of the Fund as a result of a redemption of Trust Units may, at the discretion of the 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 capital gains so that the Fund will generally not be liable in such year for income tax under Part I of the Tax Act, subject to the SIFT Rules.

If the Fund becomes subject to the SIFT Rules (which is expected to be deferred until January 1, 2011, subject to the Fund exceeding the Growth Guidelines), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of: (i) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from businesses or non-portfolio properties), and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). A deduction is permitted for dividends received by a SIFT trust where the dividends could have been deducted if the SIFT trust were a corporation. "Non-portfolio properties" include: (i) Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT trust itself, (ii) a property that the SIFT trust (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada, and (iii) investments in a subject entity that have a fair market value greater than 10% of the subject entity's equity value or a subject entity where the SIFT trust holds securities of it or its affiliates that have a total fair market value greater than 50% of the equity value of the SIFT trust. A subject entity includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships. The investments by the Fund in its material subsidiaries will likely be investments in subject entities for this purpose. Income which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax similar to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are paid as returns of capital.

Taxation of Debentureholders

Taxation of Interest on Series A Debentures

A Debentureholder 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 Series A Debentures that accrues (or is deemed to accrue) 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 (whether paid in cash or Trust Units) on the Series A 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 Series 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 Series 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 Series A Debenture.

A Debentureholder that is a "Canadian controlled private corporation" may be liable to pay an additional refundable tax on certain investment income for the year including interest.

Exercise of Conversion Privilege

A Debentureholder who converts a Series A Debenture into Trust Units pursuant to the conversion privilege will be considered to have disposed of the Series A Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Trust Units so acquired at the time of conversion 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 Series A 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 conversion, 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 conversion for the purpose of calculating the adjusted cost base of such Trust Units to the holder.

Redemption or Repayment of Series A Debentures

If the Fund redeems a Series A Debenture prior to the Maturity Date or repays a Series A Debenture on the Maturity Date 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 Series A 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 Series A 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 Series A Debentures

A disposition or deemed disposition by a Debentureholder (including on a conversion, redemption, exercise of a put right or repayment on maturity of such Series A Debenture) will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. For this purpose, proceeds of disposition generally will not include amounts required to be included in income as interest.

A Debentureholder who has over-accrued interest income in respect of a Series A Debenture generally will be entitled to a deduction in computing the holder's income for the taxation year in which the Series A Debenture is disposed of (including on conversion) in an amount equal to such over accrued income.

Taxation of Unitholders

Fund Distributions

Subject to the SIFT Rules, 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 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 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 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 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.

If the Fund becomes subject to the SIFT Rules (which is expected to be deferred until January 1, 2011, subject to the Fund exceeding the Growth Guidelines), taxable distributions from the Fund received by holders and paid from the Fund's after tax income will generally be deemed to be received by the Unitholder as a taxable dividend from a taxable Canadian corporation. Such dividend will be subject to the gross-up and dividend tax credit provisions in respect of Unitholders that are individuals. Under the SIFT Rules, the dividends deemed to be paid by the Fund will be deemed to be "eligible dividends" and individual Unitholders would therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act. Such dividends received by corporations resident in Canada will generally be eligible for full dividends received deduction and potentially subject to a 33 1/3% refundable tax under Part IV of the Tax Act.

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, when a Trust Unit is acquired, the cost of the newly-acquired Trust 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.

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 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 counsel, as of the date of this Prospectus, the Series A Debentures will be, and the Trust Units are, qualified investments for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs (and will not be a prohibited investment for a TFSA provided that the holder of the TFSA deals at arm's length with the Fund for the purposes of Tax Act and does not have a significant interest, within the meaning of the Tax Act, in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for the purposes of the Tax Act) under the Tax Act.

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.

RISK FACTORS

General

The following are certain risk factors relating to an investment in Trust Units and Series A Debentures which prospective investors should carefully consider before deciding whether to purchase Trust Units or Series A Debentures which are in addition to those described at pages 52 to 57 of the Fund's 2008 Annual Report, at pages 34 to 43 of the Fund's Annual Information Form dated March 13, 2009 and at pages 100 to 106 of the May 2009 Circular. 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 Holding Series A Debentures

Trading Market for Series A Debentures

The Series A Debentures constitute a new issue of securities of the Fund for which there is currently no public market. If the Series A 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 Series A Debentures. To the extent that an active trading market for the Series A Debentures does not develop, the liquidity and trading prices for the Series A Debentures may be adversely affected.

Prior Ranking Indebtedness; Absence of Covenant Protection

The Series A Debentures are unsecured and will be subordinate to all Senior Indebtedness of the Fund. The Indenture does 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 Series A Debentures in the event of a future leveraged transaction involving the Fund.

Conversion Following Certain Transactions

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

Dilutive Effects on Unitholders of the Fund

The Fund may determine to redeem outstanding Series A Debentures for Trust Units to repay outstanding principal amounts thereunder at maturity of the Series A Debentures by issuing additional Trust Units or, subject to regulatory approval, to satisfy all or part of the Fund's obligation to pay interest on the Series A Debentures in accordance with the Indenture by delivering sufficient Trust Units to the Debenture Trustee. Accordingly, Unitholders may suffer dilution. See "Description of the Series A Debentures – Payment upon Redemption or Maturity" and see "Description of the Series A Debentures – Unit Interest Election Payment".

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Series A Debentures. Assuming all other factors remain unchanged, the market value of the Series A Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Tax-Related Risks

There can be no assurance that Canadian income tax laws and government incentive programs respecting the treatment and status of mutual fund trusts will not be changed in a manner which adversely affects the Fund and Unitholders.

Mutual Fund Trust

It is assumed that the Fund currently qualifies as a "mutual fund trust" under the Tax Act. If the Fund ceases to so qualify the income tax considerations could be materially and adversely different in certain respects. Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust will lose its status as a mutual fund trust if the aggregate fair market value of all the units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust, where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of the Trust Units are held by the non-residents and partnerships other than Canadian partnerships, the Fund will thereafter cease to be a mutual fund trust. There are no provisions in the draft legislation that allow for rectification of the loss of mutual fund trust status. The Trust Indenture contains provisions to ensure, based on these draft amendments, that the Fund is not maintained primarily for the benefit of non-residents of Canada.

SIFT Rules

The SIFT Rules, which are discussed in more detail under the heading “Canadian Federal Income Tax Considerations”, generally operate to apply a tax at the trust level on distributions of certain income at rates of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions to Unitholders in a manner similar to dividends from a taxable Canadian corporation. Generally, the application of the SIFT Rules will be delayed to the 2011 taxation year with respect to existing SIFT trusts, such as the Fund. However, the SIFT Rules also provide that there are circumstances under which an existing SIFT trust may lose its transitional relief, including where the “normal growth” of the existing SIFT trust is exceeded. On December 15, 2006, the Department of Finance issued the Growth Guidelines which established objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. See “Canadian Federal Income Tax Considerations – SIFT Rules”. Based on certain representations from management, the offering of Trust Units and Series A Debentures pursuant to this short form prospectus should not cause, by itself, the Fund to be subject to the SIFT Rules prior to its 2011 taxation year. However, no assurance can be provided that the SIFT Rules will not apply to the Fund prior to 2011.

The SIFT Rules may have an adverse impact on the Fund, its Unitholders and the value of the Series A Debentures and Trust Units and on the ability of the Fund to undertake financings and acquisitions, and, at such time as the rules apply to the Fund, the distributable cash of the Fund may be materially reduced. The effect of the SIFT Rules on the market for Series A Debentures and Trust Units is uncertain.

Investment Eligibility

The Fund will endeavour to ensure that the Series A Debentures continue to be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs under the Tax Act. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

MATERIAL CONTRACTS

Material contracts which have been entered into or assumed by the Fund or its affiliates in connection with the Offerings, 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; and
- (b) the Underwriting Agreement.

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 Series A 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 Fasken Martineau DuMoulin LLP.

INTERESTS OF EXPERTS

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

In addition, to the best knowledge of the Fund, the “designated professionals” (as defined in Form 51-102F2 to National Instrument 51-102 – *Continuous Disclosure Obligations*) of Crosbie & Company, Inc., which firm provided a valuation and fairness opinion included in the May 2009 Circular in connection with the Acquisition, beneficially own, directly or indirectly, less than 1% of the issued and outstanding Trust Units and Initial Debentures.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal 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.

“**Annual Financial Statements**” means the audited consolidated financial statements of the Fund for the year ended December 31, 2008.

“**Acquisition**” means the acquisition by the Fund of all of the issued and outstanding shares of NPI from NPHI indirectly through Holdings LP.

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

“**Business Acquisition Report**” means the business acquisition report of the Fund dated September 23, 2009.

“**Canadian Government Obligations**” means securities issued or guaranteed by the Government of Canada or any province or territory thereof.

“**Capital Gains Refund**” means the reduction of the Fund’s liability, if any, for such tax on the Fund’s net taxable capital gains for a taxation year, by an amount determined under the Tax Act based on the redemption of Trust Units during the year.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**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 Exchangeable Units**” means the Class A limited partnership units of Holdings LP.

“**Class B Convertible Units**” means the Class B limited partnership units of Holdings LP.

“**Class C Convertible Units**” means the Class C limited partnership units of Holdings LP.

“**Closing Date**” means the date at which the Offered Units and Series A Debentures are issued pursuant to the closing of the Offerings, under this Prospectus.

“**Cochrane Facility**” means a 42 MW biomass and natural gas-fired combined cycle facility located near Cochrane, Ontario.

“**Conversion Price**” means the conversion price of the Series A Debentures of \$12.42 per Trust Unit.

“**CRA**” means the Canada Revenue Agency.

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

“**CT Trust Indenture**” means the trust indenture dated July 1, 2003, as amended and restated as of July 16, 2009, which governs CT.

“**Current Market Price**” means 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.

“**Debentureholder**” means a holder of Series A Debentures.

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

“**Debenture Offering**” means the offering of the Series A Debentures under this Prospectus.

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

“**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.

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

“**Fund**” means Northland Power Income Fund.

“**Fund Interests**” means Trust Units or Exchangeable Securities (as defined in the Trust Indenture) (other than the Replacement Rights (as defined in the Trust Indenture)).

“**German Wind Farms**” means collectively, the 7.2 MW Kavelstorf wind farm located in Northern Germany and the 14.3 MW Eckolstädt wind farm located in central Germany.

“**Growth Guidelines**” means the guidelines published by the Department of Finance with respect to what would be considered “normal growth” for the purposes of the SIFT Rules.

“**Holdings LP**” means NPIF Holdings L.P., a limited partnership organized under the laws of the Province of Ontario.

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

“**IFPC**” means Iroquois Falls Power Corp., a wholly-owned subsidiary of Holdings LP, continued under the laws of the Province of Ontario.

“**Indenture**” means the trust indenture dated August 26, 2004, as it may be amended and restated, and a supplement thereto to be dated as of the closing of the Offerings, pursuant to which the Series A Debentures are issued.

“**Initial Debentures**” means the 6.50% convertible unsecured subordinated debentures of the Fund due June 30, 2011.

“**Interim Financial Statements**” means the unaudited consolidated financial statements of the Fund for the six months ended June 30, 2009.

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

“**Jardin d’Éole Facility**” means the 127.5 MW wind farm development project located on the south shore of the St. Lawrence River close to the municipalities of Saint-Ulric and Saint- Léandre.

“**Jardin LP**” means Saint-Ulric Saint-Léandre Wind L.P., a limited partnership organized under the laws of the Province of Québec.

“**Jardin Vendors**” means the two corporations indirectly owned by James C. Temerty that own collectively a 66.5% limited partnership interest in Jardin LP.

“**July 2009 Supplement**” means the supplement to the May 2009 Circular.

“**KCLP**” means Kingston CoGen Limited Partnership.

“**Kirkland Lake Facility**” means a 102 MW biomass and natural gas-fired combined cycle baseload power plant and a 30 MW natural gas-fired peaking facility located near Kirkland Lake, Ontario.

“**Maturity Date**” means December 31, 2014.

“**May 2009 Circular**” means the management information circular of the Fund dated May 1, 2009.

“**Miller Developer**” means Mount Miller Construction and Services Inc., a corporation existing under the laws of Canada.

“**Mont Miller Facility**” means the 54 MW wind farm located near Murdochville, Québec, Canada.

“**Mont Miller LP**” means Mont Miller Wind Energy Limited Partnership, a limited partnership formed and existing pursuant to the *Legal Publicity Act* (Québec).

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

“**non-residents**” means non-resident of Canada within the meaning of the Tax Act.

“**NPHI**” means Northland Power Holdings Inc., a corporation incorporated under the laws of the Province of Ontario and indirectly wholly-owned by James C. Temerty, the Chair of the Fund.

“**NPI**” means Northland Power Inc., a corporation amalgamated under the laws of the Province of Ontario wholly-owned by Holdings LP.

“**NPIF Commercial Trust Notes**” means notes of any series of CT issued from time to time under a note indenture.

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

“**October 31, 2006 Benchmarks**” means the market capitalization of the Fund as at end of trading on October 31, 2006 (measured in terms of the value of the Fund’s issued and outstanding publicly traded units, which for this purpose, does not include debt, options or other interest convertible into units).

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

“**Offered Units**” means the Trust Units distributed under the Prospectus.

“**Offerings**” means collectively, the Unit Offering and the Debenture Offering.

“**OPA**” means the Ontario Power Authority.

“**Ordinary Units**” means the ordinary partnership units of Holdings LP.

“**OSC**” means the Ontario Securities Commission.

“**Over-Allotment Option**” means the option granted by the Fund to the Underwriters to purchase from the Fund up to 874,500 additional Trust Units and up to \$12 million principal amount of Series A Debentures on the terms and conditions set forth in the Prospectus.

“**Panda-Brandywine Facility**” means the 230 MW natural gas-fired plant located in Brandywine, Maryland.

“**PEC**” means Panda Energy Corporation.

“**PIC**” means Panda Interfunding Company LLC.

“**Plans**” means collectively, the DPSPs, RRSPs, RRIFs, RESPs, RDSPs and TFSAs.

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

“**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 Series A Debentures may require the Fund to purchase the Series A Debentures.

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

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

“**RDSPs**” means registered disability savings plans.

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

“**RFP**” means request for proposals.

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

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

“**SaskPower**” means the Saskatchewan Power Corporation.

“**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 Series A Debentures.

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

“**SIFT Rules**” means the provisions of the Tax Act providing for a tax on certain income earned by a specified investment flow through trust or partnership which provisions were introduced as Bill C-52 and became law on June 22, 2007.

“**SIFT trust**” means a publicly traded income trust.

“**Spy Hill Project**” means the 86 MW natural-gas-fired peaking plant to be built near Spy Hill, Saskatchewan, about 200 km east of Regina.

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

“**Series A Debentures**” means the convertible unsecured subordinated debentures, Series A of the Fund due December 31, 2014.

“**Special Voting Units**” means the units of the Fund designated as “Special Voting Units”.

“**Special Voting Unitholders**” means the holders of Special Voting Units.

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

“**TFSAs**” means tax-free savings accounts.

“**Thorold Facility**” means the 265 MW (nominal) natural gas-fired cogeneration facility located in Thorold, Ontario.

“**Thorold LP**” means Thorold CoGen L.P., a limited partnership organized under the laws of the Province of Ontario indirectly wholly-owned by Holdings LP.

“**Thorold Project**” means the construction of Thorold Facility.

“**Trust Indenture**” means the trust indenture dated February 17, 1997, as supplemented and restated as of July 16, 2009, as may be further amended, restated or supplemented, which governs the Fund.

“**Trust Units**” means the units of the Fund designated as “Trust Units”.

“**Trustees**” means the board of trustees of the Fund.

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

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

“**Underwriting Agreement**” means an agreement dated September 29, 2009 between the Fund and the Underwriters.

“**Unitholder**” means a holder of Trust Units 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 Series A Debentures in accordance with the Indenture.

“**Unit Offering**” means the offering of the Offered Units under the Prospectus.

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended.

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Northland Power Income Fund (the "Fund") dated September 29, 2009 relating to the offering of trust units and 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, 2008 and 2007, and the consolidated statements of income (loss) and deficit, comprehensive income (loss) and cash flows for the years then ended. Our report is dated February 13, 2009.

We also consent to the incorporation by reference in the above mentioned prospectus of our report to the Board of Directors of Northland Power Inc. on the consolidated balance sheets of Northland Power Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 2008. Our report is dated March 27, 2009 (except as to note 17, which is as at April 23, 2009).

Toronto, Ontario
September 29, 2009

(Signed) ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

CERTIFICATE OF THE FUND

Dated: September 29, 2009

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 short form prospectus as required by the securities legislation of all of the provinces of Canada.

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

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

ON BEHALF OF THE BOARD OF TRUSTEES

By: (Signed) JAMES C. TEMERTY
Trustee

By: (Signed) JOHN N. TURNER
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: September 29, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all of the provinces of Canada.

CIBC WORLD MARKETS INC.

By: (Signed) DAVID H. WILLIAMS

BMO NESBITT BURNS INC.

By: (Signed) JAMES A. TOWER

NATIONAL BANK FINANCIAL INC.

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC.

By: (Signed) PAUL PRENDERGAST

By: (Signed) ROBERT NICHOLSON

By: (Signed) ROBERT MAH

CANACCORD CAPITAL CORPORATION

FIRSTENERGY CAPITAL CORP.

By: (Signed) STEPHEN J. SWAFFIELD

By: (Signed) ERIK B. BAKKE

CORMARK SECURITIES INC.

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (Signed) KELSEN VALLEE

By: (Signed) PAUL J. BRADLEY



**NORTHLAND POWER
INCOME FUND**