

NORTHERN FINANCIAL CORPORATION

Management Information Circular

This circular (the “**Information Circular**”) is furnished in connection with the solicitation by the management of Northern Financial Corporation (the “**Corporation**”) of the proxies to be used at the annual and special meeting of shareholders of the Corporation (the “**Meeting**”) referred to in the accompanying notice of meeting (the “**Notice of Meeting**”) to be held at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be made primarily by mail, but proxies may be solicited personally or by telephone by regular employees of the Corporation at nominal cost. The cost of solicitation will be borne by the Corporation. The information contained herein is given as of July 28, 2011, except as otherwise noted. No director or officer of the Corporation intends to oppose any action taken by management at the Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Corporation. Each shareholder has the right to appoint a person other than the persons named in the enclosed form of proxy, who need not be a shareholder of the Corporation, to represent the shareholder at the Meeting. This right may be exercised by inserting that person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy. To be valid, forms of proxy must be deposited with the Corporation’s registrar and transfer agent, Computershare Trust Company of Canada, at the address on the envelope provided, not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the Meeting or any adjournment thereof, or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof.

A shareholder who has given a form of proxy has the power to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by such form of proxy and, in addition to revocation in any other manner permitted by law, may do so by depositing an instrument in writing revoking the form of proxy executed by such shareholder or such shareholder’s attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the form of proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed forms of proxy in favour of the persons named in the enclosed form of proxy will be voted on any ballot that may be called for, and where the person whose proxy is solicited specifies a choice with respect to the matters identified in the form of proxy, the shares will be voted for or against the matters set out in the form of proxy in accordance with the specification so made. **Where shareholders have not specified in the form of proxy the manner in which the named proxy holders are required to vote the shares represented thereby, such shares will be voted for the approval of the matters identified in the proxy.**

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to the other matters that may properly come before the Meeting. As at the date hereof, management of the Corporation knows of no such amendments, variations, or other matters to come before the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

The Corporation is not aware of any persons who have a material interest in any of the specific matters to be acted upon at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

30,523,502 common shares in the capital of the Corporation (the “**Common Shares**”) are entitled to be voted at the Meeting, which number represents all of the issued and outstanding Common Shares of the

Corporation as of August 2, 2011. Each Common Share carries the right to one vote per Common Share so that there are a maximum of 30,523,502 votes attached to this class of shares. Holders of Common Shares registered on the books of the Corporation at the close of business on August 2, 2011, (the “**Record Date**”) are entitled to vote their shares at the Meeting or at any adjournment thereof, except to the extent that the ownership of such Common Shares has been transferred after the Record Date and the transferee of such Common Shares establishes proper ownership thereof and demands not later than ten days prior to the Meeting to be included in the list of the shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Common Shares.

To the knowledge of the directors and executive officers of the Corporation, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than Vic Alboini who owns or has control or direction over 6,559,644 Common Shares including 147,829 Common Shares owned by his spouse, Lesley Alboini, which represents approximately 22% of the total issued Common Shares. The officers and directors of the Corporation together beneficially own, directly or indirectly, or exercise control or direction over, approximately 26% of the issued and outstanding Common Shares of the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled in favour setting the number of directors at 4 (four) and in favour of all the proposed nominees whose names are set forth below, unless the shareholder who has given the proxy has directed that the shares be otherwise voted or withheld from voting in the election of the directors. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees at their discretion. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed.

The following table sets out the names of the persons proposed to be nominated for election as a director, all major positions and offices with the Corporation or any of its significant affiliates held by them, their principal occupation or employment and the approximate number of shares of each class of shares of the Corporation that they have advised are beneficially owned or subject to their control or direction at the date of this Information Circular.

Name, Residence and Principal Occupation	Date First Appointed as Director	Number and Class of Shares
Vic Alboini, Toronto, Ontario – Chairman, President and Chief Executive Officer of the Corporation; Chairman, President and Chief Executive Officer, Northern Securities Inc.; Chairman and Chief Executive Officer, Jaguar Financial Corporation; Chairman and Chief Executive Officer, Lakeside Steel Inc.	October 24, 1997	6,559,134 ⁽³⁾ Common Shares
Ian Bradley, ⁽¹⁾⁽²⁾ Oakville, Ontario – independent consultant; formerly President and Chief Executive Officer, Lakeside Steel Corporation; formerly Chief Financial Officer, PBB Global Logistics Income Fund; formerly Special Assistant to the President, Intex Recreation Corp.; formerly President and CEO, Grand Toys International Inc.; formerly Chief Financial Officer, Forbes Medi-Tech Inc.	November 27, 1998	20,355 Common Shares
William Grant, ⁽¹⁾⁽²⁾ Toronto, Ontario – Insurance Broker and Consultant; Director, Lakeside Steel Inc.; formerly President and Director, Loyalist Insurance Company; formerly Director, Commonwealth Insurance Company and Federated Insurance Company; formerly President, Markel Insurance Company.	September 1, 2005	67,000 ⁽⁴⁾ Common Shares
Wesley Roitman, ⁽¹⁾⁽²⁾ Toronto, Ontario – Partner and Chief Financial Officer, Romspen Investment Corporation; Director, Lakeside Steel Inc.; formerly Vice President of Business Systems, Sinclair Technologies Inc.; formerly Executive Vice President and Chief Operating Officer of the Corporation and Chief Financial Officer, Secretary and Treasurer of PSINet Limited.	December 16, 2002	350,000 Common Shares

1. Member of the Audit Committee.
2. Member of the Compensation Committee.
3. Includes 147,829 Common Shares owned by Mr. Alboini’s spouse, Lesley Alboini.
4. Includes 17,000 Common Shares owned by Mr. Grant’s spouse, Emily Grant.

Penalties or Sanctions

To the knowledge of management of the Corporation, no proposed director or executive officer of the Corporation, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Individual Bankruptcies

No director of the Corporation is or has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders or Bankruptcies

Except as set forth below, no proposed director of the Corporation is, or has been within the past 10 years, a director or executive officer of any company that, while such person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after that individual ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days; or
- (c) within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Vic Alboini was formerly a director of Blue Note Mining Inc. (“**Blue Note**”) until his resignation from the Blue Note board on February 19, 2009. On June 12, 2009, after Mr. Alboini ceased to hold any position with Blue Note, Blue Note announced that it had obtained an initial order from the Quebec Superior Court providing for creditor protection under the *Companies’ Creditors Arrangement Act*.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF SETTING THE BOARD OF DIRECTORS AT 4 (FOUR) AND FOR THE ELECTION OF SAID PERSONS TO THE BOARD UNLESS OTHERWISE DIRECTED.

2. APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote the shares represented by such proxy in favour of a resolution appointing Grant Thornton LLP as auditors of the Corporation, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration of the auditors, unless the shareholder who has given the proxy has directed that the shares be withheld from voting in the appointment of auditors.

For the year ended March 31, 2011, Grant Thornton LLP were the Corporation’s auditors and were paid \$150,000 for audit related services. Prior to March 31, 2011, Deloitte & Touche LLP resigned as the Corporations auditors and Grant Thornton LLP were appointed as auditors of the Corporation.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF THE APPOINTMENT OF GRANT THORNTON LLP AS AUDITORS OF THE CORPORATION FOR THE ENSUING YEAR UNLESS OTHERWISE DIRECTED.

3. REDUCTION OF STATED CAPITAL

At the Meeting, shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt, with or without variation, a special resolution authorizing the reduction in the stated capital of the Corporation (the “**Reduction of Capital**”) by an amount of \$4,290,348. This Reduction of Capital of the Common Shares will result in the reduction of the Corporation’s deficit by a corresponding amount. No amount will be paid by the Corporation in respect of the reduction. After giving effect to the Reduction of Capital, the stated capital of the Common Shares will be \$928,486.

Generally, there are no current adverse Canadian income tax consequences under the *Income Tax Act* (Canada), (the “**Tax Act**”) to any of the Corporation’s existing shareholders at the time of the Reduction of Capital. Since no amount has been paid by the Corporation on the reduction, none of the shareholders will be deemed to have received a dividend by virtue of the Reduction of Capital. In addition, there will not be any resulting adjustments by virtue of the Reduction of Capital to the adjusted cost base of shares held by shareholders. However, the reduction of the stated value of a corporation’s share capital for legal and accounting purposes typically results in the reduction of paid up capital (the “**PUC**”) of the shares for income tax purposes. Generally speaking, under the Tax Act any payment made by a public corporation (which the Corporation is) on a reduction of capital will be treated as a dividend, subject to certain limited exceptions, such as the redemption of shares, certain reorganization provisions of the Tax Act and the distribution of certain transaction proceeds. The Reduction of Capital may result in payment made on future reductions of capital being less tax effective to shareholders in the event such exceptions would otherwise be available. In addition, the Reduction of Capital may have an effect, in certain circumstances, if the Corporation is wound up or if the Corporation redeems, acquires or cancels its Common Shares. In those cases, the amount of any deemed dividend (generally being the excess of the amount paid over the paid up capital of such shares) may be increased to the extent of any reductions in capital. The Corporation encourages shareholders to consult with their tax advisors for additional information regarding any tax consequences, which might affect them as a result of a reduction of PUC or from the Reduction of Capital.

The Reduction of Capital of the Corporation has been approved by resolution of the Board and is believed by the Board to be in the best interest of the Corporation. The Reduction of Capital will provide the Corporation with greater flexibility in the ability to pay dividends to shareholders in the future. The Reduction of Capital of the Corporation must be approved by special resolution in order to become effective. To pass, a special resolution requires the affirmative vote of not less than two-thirds (2/3) of the votes cast by the shareholders present at the Meeting in person or by proxy. The complete text of the proposed special resolution which management intends to place before the Meeting, for approval, confirmation and adoption, with or without modification, is set out at **Schedule A** hereto.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF THE REDUCTION OF CAPITAL UNLESS OTHERWISE DIRECTED.

Audit Committee

Reference is made to item 14 of the annual information form (the “**AIF**”) of the Corporation for the year ended March 31, 2011, for disclosure of information relating to the Audit Committee required under Form 52-110F1. A copy of this document can be found on SEDAR at www.sedar.com or upon request, free of charge, by contacting the General Counsel of the Corporation at its head office. The AIF of the Corporation for the year ended March 31, 2011, was filed on SEDAR on June 29, 2011.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation

The Corporation is required, under applicable securities laws, to disclose to shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid to the Corporation’s directors and executive officers.

Compensation of the Corporation’s executive officers and senior management consists of these elements: 1) base salaries; 2) commissions; and 3) bonuses. Previously the Corporation issued stock options as compensation under the Corporation’s Stock Incentive Plan (the “**Plan**”); however, effective August 28, 2003, the Corporation discontinued the issuance of stock options under the Plan. Options granted prior to August 28, 2003, continue to be exercisable in accordance with their terms.

Summary Compensation Table

The following table sets forth, to the extent required by applicable securities laws, information with respect to executive compensation paid by the Corporation to the Named Executive Officers indicated for the financial years ended March 31, 2011, 2010 and 2009. “Named Executive Officers” means the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”), regardless of the amount of compensation of those individuals, the Corporation’s three most highly compensated executive officers or individuals acting in similar capacities, other than the CEO and CFO, who were serving as such on March 31, 2011, and whose total compensation exceeded \$150,000, and any individual who would have been a Named Executive Officer but was not serving as an executive officer, or acting in a similar capacity, on March 31, 2011.

Name and Principal Position	Year Ended Mar. 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Non-Equity Incentive Plans ⁽⁶⁾	Long-Term Incentive Plans			
Vic Alboini CEO	2011	Nil	102,540 ⁽²⁾	Nil	Nil	Nil	Nil	610,169 ⁽³⁾	712,709
	2010	Nil	Nil	Nil	Nil	Nil	Nil	386,863 ⁽²⁾	386,863
	2009	123,333 ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	595,201 ⁽²⁾	718,534
Doug Chornoboy CFO	2011	150,000	Nil	Nil	20,000	Nil	Nil	12,000	182,000
	2010	150,000	Nil	Nil	Nil	Nil	Nil	12,000	162,000
	2009	172,500 ⁽⁵⁾	143,151 ⁽⁴⁾	Nil	Nil	Nil	Nil	3,000	318,651

1. Compensation amounts payable to Mr. Alboini include amounts payable to Stature Inc., a corporation wholly-owned by Mr. Alboini. On April 1, 2008, Mr. Alboini’s annual base salary was adjusted to \$240,000, adjusted further to \$100,000 on June 1, 2008, and adjusted further to nil on April 1, 2009.
2. Indicates awards made under the Equity Incentive Plan of which \$50,000 vested on July 20, 2010 and \$8,477 vested on February 15, 2011. Of the remaining amount, \$50,000 vested on July 20, 2011, \$8,477 vests on August 15, 2011, and \$8,476 vests on February 15, 2012.
3. Includes amounts attributed to Mr. Alboini’s entitlement to variable commissions based on his participation in fees and commissions and includes amounts received on account of automobile reimbursement expenses.
4. Indicates awards made under the EIP of which one third of the stated amount vested on July 20, 2009. The remaining two thirds vested in equal parts on each of July 20, 2010 and July 20, 2011. In respect of Mr. Chornoboy, this includes a share amount of 98,146 shares valued at \$93,151.
5. On April 1, 2008, Mr. Chornoboy’s annual base salary was adjusted to \$160,000, adjusted further to \$175,000 on June 1, 2008, and adjusted further to \$150,000 on April 1, 2009.
6. Indicates cash bonuses paid during the relevant period.

Outstanding Share-Based Awards and Option-Based Awards

The following table summarizes all awards outstanding at the end of the most recently completed financial year for the Named Executive Officers.

Name	Option-Based Awards			Share-Based Awards ⁽¹⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Current Market or Payout Value of Share-Based Awards That Have Not Vested ⁽²⁾ (\$)
Vic Alboini			Feb 27, 2012	Nil	191,868	[27,821]
	30,000 20,000	\$4.00 \$3.50	Jan. 21, 2013			
Doug Chornoboy	Nil	N/A	N/A	Nil	26,455	[3,836]

1. Represents awards made under the EIP.
2. Based on a price per common share of \$0.145 being the closing share price on Tuesday, July 26, 2011.

Stock Incentive Plan

The Plan was originally established to attract and retain key employees of the Corporation, whereby key employees were granted options by the Corporation’s Board, from time to time, to acquire Common Shares of the Corporation at an exercise price corresponding to the prevailing market price at the time of grant.

Under the Plan, 262,199 Common Shares are reserved for issuance, of which options in respect of 71,687 Common Shares have been granted but remain unexercised. The following is a summary of options outstanding under the Plan as of March 31, 2011:

Range of Exercise Prices	Stock Options #	Weighted Average Remaining Life (Years)	Weighted Average Price
\$3.50-5.00	69,937	1.33	\$3.79
\$8.00-9.00	1,750	0.64	\$8.00
	71,687	1.31	\$3.89

No new stock options were granted to the Named Executive Officers in the year ended March 31, 2011. Effective August 28, 2003, the Corporation ceased to grant new stock options under the Plan. Options that were granted prior to August 28, 2003, continue to be exercisable in accordance with their terms.

Employee Share Purchase Plan

The Corporation has an Employee Share Purchase Plan (the “**ESPP**”) designed to (i) support employee investment in the Corporation; (ii) attract new employees; and (iii) retain and compensate existing employees. The ESPP allows employees of the Corporation and Northern Securities Inc. (collectively, “**Northern**”) to participate in the ESPP once they have completed six (6) months of employment at Northern (the “**Qualifying Employees**”).

On August 1 in each year, Qualifying Employees are entitled to purchase Common Shares from treasury for an aggregate subscription price of up to eight percent (8%) of their compensation received from Northern in the six (6) month period ending June 30 of that year, subject to a maximum subscription of \$4,000. Similarly, on February 1 in each year, Qualifying Employees are entitled to purchase Common Shares from treasury for an aggregate subscription price of up to eight percent (8%) of their compensation received from Northern in the six (6) month period ending December 31 of the preceding year, subject to a maximum subscription of \$4,000. Accordingly, the maximum amount that can be invested by a Qualifying Employee under the ESPP in any calendar year is \$8,000. The subscription price of the Common Shares under the ESPP is the volume weighted average price for the twenty (20) trading day period ending on June 30 or December 31, as applicable.

On each of August 1 and February 1, the Corporation will issue to each participating Qualifying Employee the same number of Common Shares (the “**Matching Shares**”) as were subscribed for by the Qualifying Employee at no cost to the Qualifying Employees. The Matching Shares will be issued to Qualifying Employees in equal annual instalments over a three (3) year period following the date of the subscription of the Common Shares by the Qualifying Employee, as long as the Qualifying Employee is an employee of Northern at that time (subject to certain exceptions).

The ESPP includes the following restrictions applicable to insiders:

- (a) the number of securities issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities; and
- (b) the number of securities issued to insiders, within any one-year period, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities.

Under the ESPP, the Corporation may issue Common Shares to participating employees who meet certain conditions as set out in the ESPP. On September 25, 2008, shareholders approved an amendment to the ESPP to give the Corporation the ability to, in its discretion, provide shares to eligible participating employees under the ESPP through open market purchases as well as through issuances from treasury.

On September 16, 2010, shareholders approved an amendment to the ESPP to, without further requirement to seek shareholder approval, provide the Board with the authority to waive or increase the maximum participation limit applicable to participants, from time to time, subject to the condition that the aggregate maximum participation under the ESPP is not exceeded and subject to compliance with the restrictions on insider participation set out in the ESPP. Shareholders further approved an amendment to the ESPP to, without further requirement to seek shareholder approval, provide the Board with the authority to set participation dates and vesting periods for the issuance of matching shares under the ESPP provided that, under no circumstances shall the Board be entitled to lengthen the vesting periods for the issuance of Matching Shares in respect of ESPP participation that occurred prior to the date hereof, and the purchase price of the Common Shares under the ESPP is the volume weighted average price for the 20 trading day period ending 30 days prior to the participation date.

On September 16, 2010, Shareholders also approved an amendment to more clearly set out that the maximum number of Common Shares that can be issued under the ESPP in a given fiscal year cannot exceed 10% of the Corporation’s issued and outstanding shares calculated at the last day of the prior fiscal year.

As at March 31, 2011, 895,454 Common Shares were reserved for issuance under the ESPP, representing approximately 3.5% of the then total issued and outstanding Common Shares.

Equity Incentive Plan

Under the Corporation's Equity Incentive Plan (the "EIP"), Common Shares of the Corporation may be granted, issued and distributed, subject to conditions, to certain new or existing employees of the Corporation or its subsidiaries, at the discretion of the Board, as a means of attracting and retaining exceptional employees.

The deemed issue price for any Common Shares granted and issued under the EIP is the closing market price on the trading day immediately preceding the later of (i) the date of the grant of the award to the employee; and (ii) the date of receipt of all applicable regulatory approvals. Any employee of Northern is entitled to participate in the EIP.

Awards granted to employees will vest on such terms as are specified by the Board at the time of the grant. Upon vesting, an award is immediately convertible into one Common Share (subject to certain adjustments). In the event the Corporation terminates the employment of an employee without cause or as a result of his or her death or disability, any unvested awards remain in full force and effect and will vest in accordance with their terms. In the event an employee resigns from the Corporation or is terminated for cause, any unvested awards will terminate as of the date of such resignation or termination.

Any Common Shares issuable under the EIP pursuant to awards granted in a particular fiscal year must be issued within 9 months of the end of that fiscal year unless the vesting period extends beyond such period. Any awards issued under the EIP are non-transferable.

The EIP may be amended by the Board at any time, subject to receipt of any required regulatory approvals. The EIP includes the following restrictions applicable to insiders:

- (a) the number of securities issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the Corporation's issued and outstanding securities; and
- (b) the number of securities issued to insiders, within any one-year period, under all security based compensation arrangements, cannot exceed 10% of the Corporation's issued and outstanding securities.

On September 25, 2008, shareholders approved amendments to the EIP to give the Corporation the ability to, in its discretion, provide shares under the EIP to eligible parties through open market purchases as well as through issuances from treasury.

On September 16, 2010, in order to provide the Corporation with additional flexibility in respect of the EIP and to further encourage employee share ownership, shareholders approved amendments to the EIP to increase the maximum number of Common Shares issuable from treasury in a given year under the EIP from 6% of the issued and outstanding Common Shares to 10%.

As at March 31, 2011, 680,558 Common Shares (representing approximately 2.7% of the then total issued and outstanding Common Shares) were reserved for issuance under the EIP.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information regarding outstanding options, warrants and rights under the Plan as of March 31, 2011.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by securityholders	71,687 Common Shares	\$3.89	Nil
Equity compensation plans not approved by securityholders	N/A	N/A	Nil
Total	71,687 Common Shares	\$3.89	Nil

Termination of Employment, Change in Responsibilities and Employment Contracts

Vic Alboini

Vic Alboini is employed as the Chairman, President and Chief Executive Officer of the Corporation and Chairman, President and Chief Executive Officer of Northern Securities Inc. ("Northern Securities"). Pursuant to Mr. Alboini's employment contract, he is entitled to an annual base salary of \$300,000. In addition, Mr.

Alboini is entitled to variable compensation for the overall performance of the Corporation as well as a variable commission based on his participation in fees and commissions. Effective April 1, 2009, Mr. Alboini's annual base salary was adjusted to nil.

In the event of the voluntary resignation or termination of Mr. Alboini for any reason including with cause or without cause or due to death or disability (as defined in his employment contract), Mr. Alboini shall be entitled to exercise his vested options for a period of 3 years from the date of such termination, during which period the options shall continue to vest.

In the event of termination by the Corporation or Northern Securities without cause, Mr. Alboini is entitled to receive as a severance payment payable on the date of termination an amount equal to two times his average annual compensation from the Corporation and Northern Securities over the previous two years, including any bonuses or commissions. If Mr. Alboini is terminated without cause at any time following a change of control, he is entitled to receive as a severance payment payable on the date of termination an amount equal to three times his average annual compensation from the Corporation and Northern Securities over the previous three years, including any bonuses or commissions. For the purposes of his employment contract, a change of control is defined as being the acquisition by a third party or third parties acting in concert of at least 40% of the issued and outstanding Common Shares or, otherwise, of a sufficient number of Common Shares to enable the third party or third parties to cause the election of the majority of the Board.

Doug Chornoboy

The Corporation has an employment contract in place with Doug Chornoboy, Senior Vice President and Chief Financial Officer of the Corporation, and Senior Vice President and Chief Financial Officer of Northern Securities. Pursuant to Mr. Chornoboy's employment contract, he is entitled to receive an annual base salary of \$200,000. In addition, Mr. Chornoboy is entitled to receive an annual bonus payable 50% in cash and 50% in shares of the Corporation. Effective April 1, 2008, Mr. Chornoboy's annual base salary was adjusted to \$160,000 and his annual bonus was adjusted to nil. Effective April 1, 2009, Mr. Chornoboy's annual base salary was further adjusted to \$150,000.

In the event his employment is terminated without cause, Mr. Chornoboy is entitled to an amount equal to two months salary after one year of employment, four months after two years of employment, six months after three years of employment, and eight months after five years of employment, plus statutory notice and severance payments prescribed by the *Employment Standards Act (Ontario)* that may apply. Such notice and payments are in lieu of any other entitlement under statute or at common law.

CORPORATE GOVERNANCE

Board of Directors

- (a) The independent directors of the Board are Ian Bradley, William Grant and Wes Roitman.
- (b) The non-independent director is Vic Alboini, who is the Chairman, President and Chief Executive Officer of the Corporation.
- (c) A majority, three of four members, of the Board are independent.
- (d) The small size of the Board facilitates open and candid discussion amongst its members. The Audit Committee and the Compensation Committee, which are made up entirely of outside, unrelated directors, meet independently of management members of the Board to discuss and approve financial statement and executive compensation related matters, and any other matters deemed significant in their discretion, on at least an annual basis.
- (e) Although the Chairman of the Board is an insider, related director, a majority of the Board is made up of outside, unrelated directors. The Board considers it important that the individual serving as its Chairman has a management-level understanding of the day-to-day operations of the Corporation. As the Board currently has only one representative of management, and that representative is the Chief Executive Officer, this individual serves the roles of Chairman, President and Chief Executive Officer. The Board does not have an independent "lead director", but the small size of the Board provides the ability for the independent directors to perform their duties appropriately.

- (f) The following table sets forth the number of Board and committee meetings held and attendance by directors for the year ended March 31, 2011:

<u>Director</u>	<u>Board of Directors and Committee Meetings Attended (in person or by telephone)</u>
Vic Alboini	8 of 8
Ian Bradley	13 of 13
William Grant	12 of 13
Wes Roitman	11 of 13

Board Mandate

The mandate of the Board is to supervise the management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation and its shareholders. The Board fulfils its mandate directly and through committees. To assist it in fulfilling this responsibility, the Board has specifically recognized its responsibility for the following areas:

- (a) reviewing and approving the Corporation's strategic plan and business initiatives and monitoring the implementation by management of the strategic plan;
- (b) reviewing and approving the Corporation's expenditure policy as well as those expenditures which exceed the limits for management approval;
- (c) reviewing and approving significant operational and financial matters and providing direction to management on these matters;
- (d) overseeing the Corporation's integrity, ethics and compliance with laws and financial reporting requirements;
- (e) ensuring that appropriate succession planning and management development plans are in place;
- (f) monitoring the Corporation's operating results and financial condition;
- (g) understanding and assessing the risks facing the Corporation and monitoring the management of those risks; and
- (h) assessing the performance of the officers and senior management of the Corporation and setting executive compensation accordingly, as well as reviewing and approving corporate objectives and goals applicable to senior management.

Position Descriptions

- (a) Board and Committee Chairs

The Board has not developed written position descriptions for the chair and the chairs of its two committees (Audit Committee and Compensation Committee). The Board operates within the mandate noted above. The Audit Committee operates within its written mandate. The Chair of the Board and of each of the committees is responsible for establishing the agenda for each meeting in consultation with other Board members and executive management.

- (b) Chief Executive Officer

The Board has not developed a written position description for the Chief Executive Officer. The Chief Executive Officer is a director of the Corporation. The mandate of the Board includes setting objectives for executive management and assessing performance against these objectives.

Orientation and Continuing Education

Management, along with the Board, provides all new directors with a briefing on the history of the Corporation, the current financial position and operational strategy of the Corporation, and the structure and operation of the Board. Senior management and the Corporation's auditors make periodic presentations to the Board to ensure they are aware of business conditions, industry practices and emerging issues.

Ethical Business Conduct

The Board has adopted a written Code of Ethics (“**Code**”) of the Corporation, which guides all directors, officers, and employees of the Corporation. The Code forms part of the Corporation’s Policy and Procedures Manual and addresses the following issues:

- | | |
|--|--|
| (a) compliance with laws, rules and regulations; | (m) anti-money laundering/terrorist financing; |
| (b) compliance with the Code; | (n) fraud; |
| (c) fair and honest dealing; | (o) record retention; |
| (d) anti-discrimination and harassment; | (p) access to information; |
| (e) substance abuse; | (q) conflicts of interest; |
| (f) safety and security; | (r) outside activities; |
| (g) supervision of employees; | (s) gifts and entertainment; |
| (h) inside information; | (t) personal trading, borrowing and lending; |
| (i) improper use of knowledge; | (u) privacy and confidentiality; |
| (j) use of client information; | (v) protection and proper use of company assets; |
| (k) standard care in investment management; | (w) internal and external examinations, audits and investigations; and |
| (l) improper influence; | (x) reporting of potential violations of the Code. |

The Board is responsible for monitoring the Code, reviewing management’s monitoring of compliance with the Code, and receiving reports from the Chief Financial Officer of the Corporation and the Chief Compliance Officer of Northern Securities with regard to the Code.

A copy of the code is available for review at the Corporation’s registered office.

To ensure that directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest, the Board’s practice is that the interested director is not permitted to vote on any resolution to approve the matter.

Nomination of Directors

The Board does not currently have a formal committee for nominating new directors or assessing directors. In the event a new director is required, the Board considers a nominee’s track record in business management, special expertise in an area of interest to the Corporation, the nominee’s ability to devote sufficient time, and whether the nominee has shown support for the Corporation’s mission and strategic objectives.

Compensation

The Board has appointed a Compensation Committee comprised entirely of independent directors. Each year, the Compensation Committee and the Board review the base salaries of all executive officers to determine whether adjustments are appropriate to bring their salaries to a competitive level and to reflect their responsibilities as executives of a public corporation. In conducting this review, the Board considers comparative data for executives having similar responsibilities in competitive organizations, taking into account size, location and appropriate differentiating factors.

Assessments

The Board as a whole assesses the effectiveness of the Board and individual members at least annually. The process by which this assessment is done is on an informal basis. Due to the small size of the Board, a formal committee has not been considered necessary or efficient to conduct this assessment.

Composition of the Compensation Committee

The Corporation’s Compensation Committee is comprised entirely of independent directors. The members of the Compensation Committee are Ian Bradley, William Grant and Wes Roitman. Mr. Roitman was formerly Executive Vice President and Chief Operating Officer of the Corporation.

Report on Executive Compensation

The Corporation’s executive compensation policies are designed to support an appropriate relationship between executive pay and the creation of shareholder value. Essentially, the objectives of the policies are as follows:

- to provide compensation comparable to similar investment banking firms, thereby enabling the Corporation to attract and retain talented executives critical to the Corporation’s long-term success;
- to align the interests of executives with the long-term interests of shareholders by providing executives with equity incentives, the value of which depends over time on the market value of the Corporation’s Common Shares;
- to award cash bonuses to senior employees based on meritorious performance; and
- to motivate and retain key officers to achieve strategic business initiatives and reward them for their achievement.

The directors believe that the Corporation’s executive compensation facilitates the long-term success and growth of the Corporation through the attraction, motivation and retention of outstanding executives.

Each year, the Board reviews the base salaries of all executive officers to determine whether adjustments are appropriate to bring their salaries to a competitive level and to reflect their responsibilities as executives of a public corporation. In conducting this review, the Board considers comparative data for executives having similar responsibilities in competitive organizations, taking into account size, location and appropriate differentiating factors.

Bonus Compensation

The amount of bonus compensation awarded to employees is determined on an exceptional basis for outstanding performance.

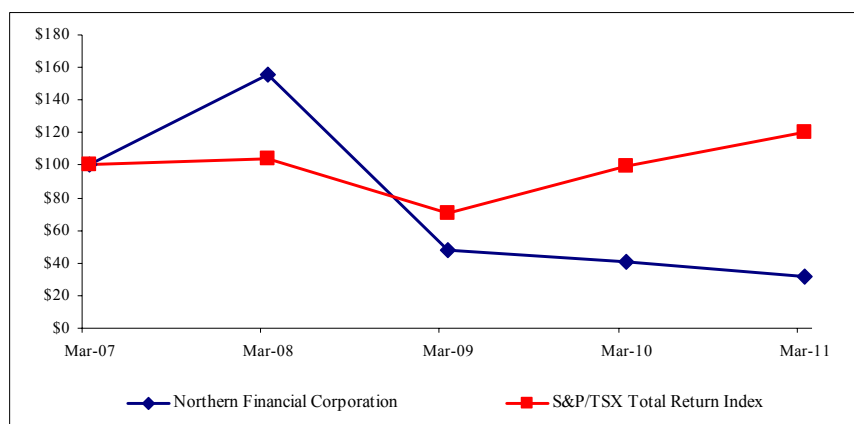
Chief Executive Officer’s Compensation

Vic Alboini has served as Chief Executive Officer of the Corporation since August 2000. Pursuant to his employment contract, Mr. Alboini is entitled to a base salary of \$300,000. Mr. Alboini is entitled to variable compensation for the overall performance of the Corporation as well as a variable commission based on his participation in fees and commissions. Effective June 1, 2008, Mr. Alboini’s annual base salary was adjusted to \$100,000 and further adjusted to nil effective April 1, 2009.

Performance Chart

The following graph shows a comparison of the yearly percentage change in the Corporation’s cumulative total shareholder return for the five year period ended March 31, 2011, with the cumulative total return of the S&P/TSX Composite Index (formerly the Toronto Stock Exchange Composite 300 Index).

Comparison of Five-Year Cumulative Total Return



The trend shown by the performance graph shows a marked decline in shareholder return between March 2006 and March 2011. The trend in executive compensation over the same period shows a decrease in base salary (in particular between 2008 and 2011). This trend has resulted in an increased emphasis on incentive-based compensation for executives.

Compensation of Directors

The Corporation's Board currently consists of four directors. Prior to July 27, 2009, Directors who are not executive officers of the Corporation receive an annual fee of \$10,000 and an additional fee of \$500 for each meeting attended. Directors are reimbursed for out-of-pocket expenses incurred in attending Board and committee meetings. Directors are entitled to receive compensation from the Corporation to the extent that they provide services to the Corporation. Any such compensation is based on rates that would be charged by such directors for similar services to arm's length parties. A Director who is also an employee of the Corporation receives no additional consideration for serving as a director. The Corporation paid an aggregate of \$57,000 to the Directors in respect of the period ended March 31, 2011.

On July 27, 2009, the Board approved an increase to the annual fee from \$10,000 to \$12,500 and an increase to the meeting fee from \$500 per meeting to \$750 per meeting.

The following table summarizes the compensation provided to the directors for the Corporation's most recently completed financial year.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Vic Alboini	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ian Bradley	25,000	Nil	Nil	Nil	Nil	Nil	25,000
William Grant	24,250	Nil	Nil	Nil	Nil	Nil	24,250
Wes Roitman	24,250	Nil	Nil	Nil	Nil	Nil	24,250

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There are no outstanding loans granted by the Corporation to any director or executives nor has any guarantee been provided by the Corporation for the benefit of any director or executive.

INSURANCE COVERAGE

The Corporation's directors and officers are not covered under directors and officers' insurance policies.

OTHER BUSINESS

The Corporation knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

ADDITIONAL INFORMATION

Additional information about the Corporation, including the Corporation's current annual information form, MD&A and financial statements can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com. Shareholders may also contact the Corporation at (416) 644-8100 to request copies of the Corporation's financial statements and MD&A. Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year.

By Order of the Board.

July 29, 2011

Vic Alboini
Chairman and Chief Executive Officer

SCHEDULE A

**SPECIAL RESOLUTION OF THE SHAREHOLDERS
OF
NORTHERN FINANCIAL CORPORATION
(the “Corporation”)**

REDUCTION OF STATED CAPITAL

BE IT RESOLVED as a special resolution of the Corporation that:

1. Pursuant to Section 34 of the *Business Corporations Act* (Ontario), the stated capital of the Corporation is hereby reduced by deducting from the stated capital account for the common shares of the Corporation an amount of \$4,290,348 and correspondingly reducing the accumulated deficit of the Corporation;
2. Any one or more directors or officers be and are hereby authorized, upon the board of directors of the Corporation resolving to give effect to this resolution, to take all necessary acts and proceedings, to execute and deliver and file any and all applications, declarations, documents and other instruments and to do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution; and
3. Notwithstanding the approval of the shareholders of the Corporation as herein provided, the board of directors of the Corporation may, in its sole discretion, revoke this special resolution before it is acted upon, without further approval of the shareholders of the Corporation.