



## **INSIDER TRADING POLICY AND GUIDELINES**

As a public company, Northern Power Systems Corp. (“Northern Power” or the “Company”) and its officers, directors and employees are subject to the requirements and restrictions of Canadian, U.S., and state securities laws. Among other things, these laws prohibit trading stock while in possession of material non-public information about the Company or passing material non-public information on to others. This policy provides guidelines to employees, officers and directors of the Company and its subsidiaries with respect to transactions in the Company’s securities.

### **A. SCOPE**

This policy applies to all transactions in the Company’s securities, including its common shares and options to purchase common shares, and any other type of securities that the Company may issue, such as preferred stock, convertible debt, warrants, or other derivative securities. It applies to all directors, officers, employees, consultants and contractors (and their immediate family members) of the Company and its subsidiaries who receive or have access to Inside Information (as defined in Section B below) about the Company. Any person who possesses Inside Information regarding the Company is considered an “Insider” for so long as the information is not publicly known. This policy applies equally to Inside Information about other companies engaged in business transactions with Northern Power, including Northern Power’s customers, partners, vendors, and suppliers (“Business Partners”), when that information is obtained in the course of employment or other service with the Company.

### **B. DEFINITION OF INSIDE INFORMATION**

Inside Information is **material non-public information** about the Company or its Business Partners.

**1. Material Information.** It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor making an investment decision regarding the purchase or sale of the Company’s securities (or the securities of one of its Business Partners). Both positive and negative information may be material.

There are various categories of information that are particularly sensitive, and, as a general rule, should always be considered material. Examples of such information include:

- Financial results, such as quarterly and year-end earnings, and significant changes in financial performance
- Projections of future earnings or losses
- News of a pending or proposed merger, consolidation or asset sale
- Gain or loss of a major contract, substantial customer, supplier or source of revenue or finance
- New product announcement of a significant nature
- Significant product defects or modifications

- Significant pricing changes
- Changes in senior management or control
- Stock splits, new equity or debt offerings, or changes in dividend policies or amounts
- Impending financial liquidity problems
- Significant litigation, whether actual or threatened

**2. Non-Public Information.** Information is considered non-public if it has not previously been disclosed to the general public—through, for example, a press release or posting on the Company’s website—and is not otherwise available to the general public. For purposes of this policy, information will be considered public only after the close of trading on the third trading day following the widespread release of the information.

## **C. TRADING RESTRICTIONS**

### **1. Prohibition on Trading or Tipping on Inside Information**

No person subject to this policy shall:

- Engage in any transaction involving a purchase or sale of the Company’s securities while possessing Inside Information about the Company during any period starting with the date that he or she possesses such Inside Information and ending at the close of business on the third trading day following the public disclosure of that information, or at such time as the information is no longer material.
- Trade in Company securities during any Blackout Period (defined in Section D.1 below) or disclose to any outside party that a Blackout Period has been designated.
- Disclose Inside Information to any outside person (including family members) unless required as part of such person’s regular and authorized duties for the Company. In the event any person subject to this policy receives an inquiry from outside the Company for information (particularly for financial results or projections) that may be Inside Information, the inquiry should be referred to the Company’s Chief Financial Officer, who is responsible for coordinating and overseeing the release of such information.
- Give trading advice of any kind about the Company while in possession of Inside Information about the Company. The Company strongly discourages anyone subject to this policy from giving trading advice to third parties even when not in possession of Inside Information about the Company.
- “Short sell” the Company’s securities (i.e., sell securities that are not owned at the time of sale), trade in any interest or position relating to the future price of the Company’s securities (such as a put or a call), or engage in any other transactions involving Company-based derivative securities.
- Trade in the securities of any of the Company’s Business Partners while possessing Inside Information pertaining that that partner, disclose to any outside party any Inside Information concerning a Business Partner, or give trading advice of any kind to anyone concerning the Business Partner while possessing Inside Information pertaining to that partner.

**2. “Section 16” Individuals.** The Company’s directors and executive officers also must comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Securities

Exchange Act of 1934. So long as certain criteria are met, neither the receipt of an option under the Company's option plan, nor the exercise of that option is deemed a purchase under Section 16; however, the sale of any such shares is deemed a sale under and subject to the provisions of Section 16.

## **D. GENERAL GUIDELINES**

The following guidelines have been adopted by the Company's Board of Directors for the purpose of facilitating implementation of the foregoing prohibitions:

### **1. Trading Blackout Periods.**

To facilitate and ensure compliance with this policy and applicable Canadian, U.S. and state securities laws, this policy prohibits any director, officer, or employee from conducting transactions involving the purchase or sale of the Company's securities during the period beginning on the 15<sup>th</sup> day of the last month of the quarter and ending on the 3<sup>rd</sup> business day following the Company's public disclosure of its financial results ("Blackout Period"). Any period outside the Blackout Period is called a "Trading Window," during which time securities may typically be bought and sold, provided the buyer or seller is not in possession of any Inside Information when making a trade.

The Company may also from time to time suspend trading during what would otherwise be a Trading Window due to material developments that have not been disclosed to the public. The Company's Legal Department will send out notification of the dates of Blackout Periods and any required temporary suspension in trading during a Trading Window.

It should be noted that even during a Trading Window, a person in possession of Inside Information must refrain from engaging in any transactions in the Company's securities until such information has been disclosed publicly for at least three trading days.

**2. Pre-Clearance of Option Exercises.** The Company will pre-clear any exercise of options by employees, directors and officers to ensure that the option holder is not in possession of Inside Information or that exercise of options would not give the appearance of trading on Inside Information, and to confirm that the shares the option holder wishes to exercise are vested and exercisable. Any option holder wishing to exercise his or her options should complete a Stock Option Exercise Notice and return it to the Company's Legal Department at least one day before commencing any transaction.

### **3. Application of Policy to Employee Benefit Plans and Termination of Service**

a. *Exemption for Exercise of Stock Options for Cash.* The Company considers the exercise of stock options for cash under the Company's stock option plan (but not the sale of any exercised shares) to be exempt from this policy, since the other party to the transaction is the Company itself and the price does not vary with the market but is fixed by the terms of the option agreement.

b. *Termination of Service.* The Blackout Period procedures set forth in Section D.1 above will cease to apply to transactions in Company securities upon the expiration of any Blackout Period in effect at the time of an employee, officer or director's termination of service. However, if an employee, officer or director is in possession of Inside Information at the time his or her service with the Company ends, he or she may not trade in the Company's securities until that information has become public or is no longer material.

**4. Individual Responsibility.** Every employee, director and officer has the individual responsibility to comply with this Policy, regardless of whether the Company is in a Trading Window or pre-cleared an option exercise. If you are in possession of Inside Information, you cannot buy or sell Northern Power stock even if a Trading Window is open. Good judgment should be exercised at all times with any trade in the Company's or its Business Partners' securities.

#### **E. LIABILITY AND DISCIPLINARY ACTION FOR INSIDER TRADING**

The U.S. and Canadian securities commissions, as well as the Toronto Stock Exchange, use sophisticated electronic surveillance techniques to uncover insider trading. There are substantial statutory penalties for persons or issuers where there has been a violation of insider trading regulations. In the U.S., these penalties include fines up to \$5,000,000 and prison terms of up to 20 years. In Canada, these penalties include fines up to \$5,000,000 (or triple any profit made or loss avoided by the contravention, whichever is greater), and prison terms of up to five years. Individuals may also be liable for improper transactions by people to whom they have disclosed any Inside Information, even if the disclosing individual did not profit from the trading.

Employees of the Company who violate this policy are subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

**RECEIPT AND ACKNOWLEDGEMENT**

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By my signature, I hereby acknowledge that I have received and read a copy of the Northern Power Systems Corp. Insider Trading Policy and Guidelines and agree to comply with its terms. I understand that violation of insider trading or disclosure laws may subject me to civil and/or criminal penalties, and that violation of the terms of this policy may subject me to discipline up to and including termination for cause of my employment with Northern Power Systems.

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Signature

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Date

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Print Name