



*More growth in store...*

THE NORTH WEST COMPANY INC.

Notice of Meeting and  
Management Information Circular  
for an Annual and Special Meeting  
of Shareholders of  
The North West Company Inc.  
May 6, 2011

THE NORTH WEST COMPANY INC.  
ANNUAL AND SPECIAL MEETING : JUNE 14, 2011



May 6, 2011

Dear Shareholder:

You are invited to attend an annual and special meeting (the “**Meeting**”) of the shareholders of the common shares of The North West Company Inc. (“**North West**”) to be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba on Tuesday, June 14, 2011 at 11:30 a.m. (Central Time).

This Notice of Meeting and Management Information Circular (the “**Circular**”) describes the business to be conducted at the Meeting, and provides information on executive compensation and corporate governance at North West. We hope that you will take the time to read this Circular in advance of the Meeting as it provides background information that will help you exercise your right to vote on a number of important matters. We encourage you to exercise your vote by voting online, or by completing and sending in your proxy, or in person at the Meeting.

The Meeting also presents an opportunity for you to meet and ask questions of the Board of Directors of North West and the senior management team. At the end of the formal portion of the Meeting, there will be a presentation on our progress during the past year and first quarter of this year, and a question and answer period.

On behalf of the Board of Directors, we would like to thank you for your continued support of North West. We look forward to seeing you at the Meeting.

Sincerely,

*“H. Sanford Riley”*

H. Sanford Riley  
Chairman of the Board

*“Edward Kennedy”*

Edward Kennedy  
President and Chief Executive Officer



**THE NORTH WEST COMPANY INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

An annual and special meeting (the “**Meeting**”) of shareholders of The North West Company Inc. (“**North West**”) will be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba on Tuesday, June 14, 2011 at 11:30 a.m. (Central Time).

The following business will be conducted at the Meeting:

1. to receive the financial statements of North West for the year ended January 31, 2011, and the auditor’s report on those statements;
2. election of the directors of North West;
3. re-appointment of PricewaterhouseCoopers LLP as auditors of North West and authorizing the audit committee of the Board of Directors of North West to fix the remuneration of the auditors;
4. to consider an advisory resolution on North West’s approach to executive compensation;
5. to consider, and if thought advisable, to pass, with or without alteration or modification, an ordinary resolution, the full text of which is set forth in Appendix “A” to the Management Information Circular (the “**Circular**”), approving an amended and restated share option plan for North West as more particularly described in the Circular in Appendix “B”; and
6. transaction of any other business that is properly brought before the Meeting.

The Circular provides additional information relating to the matters to be considered at the Meeting. You are urged to read the Circular carefully in evaluating the matters for consideration at the Meeting. The 2010 Annual Report, which includes the Management’s Discussion and Analysis of financial condition and results of operations, the consolidated financial statements of North West, and the auditor’s report to the Shareholders for the financial year ended January 31, 2011, accompany this Notice of Meeting, and are also posted on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.northwest.ca](http://www.northwest.ca).

As a shareholder, you have a right to attend and vote at the Meeting. For those shareholders who cannot attend the Meeting in person, North West has made arrangements to provide a live webcast of the Meeting. Details on how shareholders may view the webcast will be found at [www.northwest.ca](http://www.northwest.ca) and will also be provided in a media release prior to the Meeting. Shareholders viewing the webcast will not be permitted to vote through the webcast facilities.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
THE NORTH WEST COMPANY INC.**

*“Paulina Hiebert”*

Winnipeg, Manitoba  
May 6, 2011

Paulina Hiebert  
Vice President, Legal and Corporate Secretary  
The North West Company Inc.

**MANAGEMENT INFORMATION CIRCULAR  
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**THE NORTH WEST COMPANY INC.**  
**MANAGEMENT CIRCULAR**  
**PART I — VOTING INFORMATION**

Unless stated otherwise, information contained in this Management Information Circular is given as of May 6, 2011.

**What Matters Will I Be Voting Upon?**

Shareholders will be voting upon:

- the election of the directors of North West;
- the re-appointment of PricewaterhouseCoopers LLP as auditors of North West and authorizing the audit committee of the board of directors of North West to fix the remuneration of the auditors;
- an advisory resolution on North West’s approach to executive compensation;
- an ordinary resolution to approve an amended and restated share option plan for North West as more particularly described in the Circular, the full text of the plan which is attached as Appendix B to this Circular (the “**Amended and Restated Option Plan**”); and
- transaction of any other business that is properly brought before the Meeting.

**Who Can Vote?**

You are entitled to one vote for each common share you own as of the record date (the “**Share**” or “**Shares**”). The board of directors of North West (the “**Board**”) have set May 13, 2011 as the record date.

**Registered Shareholders**

Each shareholder is entitled to one vote for each common share registered in his, her or its name as of the record date (the “**Shareholder**” or “**Shareholders**”). If a Shareholder sells some or all of the shares that he, she or it owns after the record date, the person who purchased the Shares will become a Shareholder, but is not eligible to vote at the Meeting.

**Non-Registered Beneficial Shareholders**

You may be a non-registered beneficial Shareholder (as opposed to a registered Shareholder) if your Shares are held on your behalf, or for your account, by a broker, a securities dealer, a bank, a trust company or another similar entity (called an “**Intermediary**”). If you are a non-registered beneficial Shareholder, your Intermediary will be the entity legally entitled to vote your Shares. In order to vote your Shares, you must carefully follow the instructions that your Intermediary delivered to you with this Circular. Instead of completing the Form of Proxy that is printed on blue paper and may be enclosed with this Circular, you will likely be asked to complete and deliver a different form to your Intermediary. This form will instruct the Intermediary how to vote your Shares at the Meeting on your behalf. As a non-registered beneficial Shareholder, while you are invited to attend the Meeting, you will not be entitled to vote at the Meeting, unless you submit all required information to your Intermediary well in advance of the Meeting and carefully follow its instructions and procedures. Please also see “— How Do I Vote If I Am a Non-Registered Beneficial Shareholder?” below.

## **How Do I Vote If I Am A Registered Shareholder?**

You are a registered Shareholder if your name appears on your share certificate a (“**Registered Shareholder**”). The enclosed proxy form indicates whether you are a Registered Shareholder. You can vote your Shares by proxy or in person at the Meeting if you are a Registered Shareholder:

### **By Proxy**

There are five ways that you can vote by proxy:

#### ***By Telephone:***

Call 1-866-271-1207 from your touch-tone phone and follow the instructions (only available to Registered Shareholders resident in Canada or the United States). You will need the control number located on the enclosed proxy form. You do not need to return your proxy form.

#### ***On the Internet:***

Go to [www.eproxyvoting/nwc](http://www.eproxyvoting/nwc) and follow the instructions on the screen. You will need the control number located on the enclosed proxy form. You do not need to return your proxy form.

At any time, CIBC Mellon Trust Company (“**CIBC Mellon**”), the transfer agent for the Shares, may cease to provide telephone and Internet voting, in which case Shareholders can elect to vote by mail, by delivery by hand, by fax or by attending the Meeting in person, as described below.

#### ***By Mail:***

By completing, dating and signing the enclosed proxy form and returning same in the envelope provided.

#### ***By Hand:***

By completing, dating and signing the enclosed proxy form and delivering the same by hand to CIBC Mellon Trust Company, 320 Bay Street, Banking Hall Level, Toronto, Ontario.

#### ***By Fax:***

By completing, dating and signing the enclosed proxy form and forwarding same by fax to 1-866-781-3111 (toll-free within Canada and the United States) or 1-416-368-2502 (from any country other than Canada and the United States).

### **Voting In Person**

If you attend the Meeting on June 14, 2011, and are a Registered Shareholder, you may cast one vote for each of your registered Shares on any and all resolutions put before the Meeting. This includes the election of directors, the re-appointment of auditors, the advisory vote on executive compensation, the Amended and Restated Option Plan Resolution, and any other business that may arise at the Meeting. **If you do not wish to vote in favour of any matter proposed at the Meeting you may withhold your vote from, or vote your Shares against, any resolution at the Meeting, depending on the specific resolution.**

### **Voting By Proxy For Registered Shareholders**

The following instructions are for Registered Shareholders only. If you are a non-registered beneficial Shareholder, please follow your Intermediary’s instructions on how to vote your Shares and see the discussion under the heading “— How Do I Vote If I Am a Non-Registered Beneficial Shareholder?” below.

If you are unable to attend the Meeting, or if you do not wish to personally cast your votes, you may still make your votes count by authorizing another person who will be at the Meeting to vote on your behalf. You may either tell that person how you want to vote, or let him or her choose for you. This is called voting by proxy.

### *What Is a Proxy?*

A proxy is a document that you may sign in order to authorize another person to cast your votes for you at the Meeting. The Form of Proxy that is printed on blue paper and is enclosed with this Circular is a form of proxy that you may use to authorize another person to vote on your behalf at the Meeting. You may use this Form of Proxy to assign your votes to the Chairman (or his alternate) or to any other person of your choice. You may also use any other legal form of proxy.

### *Appointing a Proxyholder*

Your proxyholder is the person that you appoint to cast your votes at the Meeting on your behalf. **You may choose the Chairman (or his alternate) or any other person that you want to be your proxyholder. Please note that your proxyholder is not required to be another Shareholder. If you want to authorize the Chairman (or his alternate) as your proxyholder, please leave the line near the top of the Form of Proxy blank, as the Chairman's name (and the name of his alternate) are already pre-printed on the form. If you want to authorize another person as your proxyholder, fill in that person's name in the blank space located near the top of the enclosed Form of Proxy and cross out the name of the Chairman and his alternate.**

Your proxy authorizes the proxyholder to vote and otherwise act for you at the Meeting, including any continuation of the Meeting that may occur in the event that the Meeting is postponed or adjourned. If you return the attached Form of Proxy to CIBC Mellon, and have left the line for the proxyholder's name blank, then the Chairman (or his alternate) will automatically become your proxyholder.

### *Depositing Your Proxy*

To be valid, the Form of Proxy must be filled out, correctly signed (exactly as your name appears on the Form of Proxy), and returned to the transfer agent for the Shares, CIBC Mellon, by no later than 11:30 a.m. (Central Time) on June 10, 2011 (or at least 24 hours prior to the commencement of any reconvened meeting in the event of any adjournment or postponement of the Meeting). Your proxyholder may then vote on your behalf at the Meeting.

You may instruct your proxyholder how you want to vote on the issues listed in the Notice of Meeting by checking the appropriate boxes on the Form of Proxy. If you have specified on the Form of Proxy how you want to vote on a particular issue, then your proxyholder must cast your votes as instructed. Depending on the particular resolution, if you do not wish to vote in favour of a matter proposed at the Meeting you may, as applicable to the specific resolution, withhold your vote from, or vote your Shares against, such resolution at the Meeting. By checking "WITHHOLD FROM VOTING" on the Form of Proxy, where applicable, you will be abstaining from voting. By checking "AGAINST" on the Form of Proxy, where applicable, you will be voting against the particular resolution.

**If you have NOT specified how to vote on a particular matter, your proxyholder is entitled to vote your Shares as he or she sees fit. Please note that if your Form of Proxy does not specify how to vote on any particular matter, and if you have authorized the Chairman (or his alternate) to act as your proxyholder (by leaving the line for the proxyholder's name blank on the Form of Proxy), your Shares will be voted at the Meeting as follows:**

- **"FOR" the election of the 9 nominees to the Board;**
- **"FOR" the re-appointment of PricewaterhouseCoopers LLP as auditors of North West and to authorize the audit committee of the Board to fix the auditor's remuneration;**
- **"FOR" the advisory resolution on North West's approach to executive compensation; and**
- **"FOR" the Amended and Restated Option Plan Resolution.**

For more information on these matters, please see "PART II — BUSINESS OF THE MEETING". If any other issues properly arise at the Meeting that are not described in the Notice of Meeting, or if any amendments or variations are proposed to the matters described in the Notice of Meeting, your proxyholder is entitled to vote your Shares as he or she sees fit. The Notice of Meeting sets out all the matters to be determined at the Meeting that are known to the directors as of May 6, 2011.



### *Can I Change My Vote?*

If you want to change your vote or revoke your proxy after you have signed and delivered it to CIBC Mellon, you may do so by delivering another properly executed Form of Proxy bearing a later date and delivering it as set out above under the heading “— Depositing Your Proxy” by no later than 11:30 a.m. (Central Time) on June 10, 2011 (or at least 24 hours prior to any reconvened meeting in the event of any adjournment(s) or postponement(s) of the Meeting), or in any other manner permitted by law.

If you revoke your proxy and do not replace it with another Form of Proxy that is deposited with CIBC Mellon on or before the deadline at 11:30 a.m. (Central Time) on June 10, 2011, you may still vote your own Shares in person at the Meeting provided you are a Registered Shareholder whose name appeared on the Shareholders’ register of North West as at May 13, 2011.

### **How Do I Vote If I Am A Non-Registered Beneficial Shareholder?**

The information set forth in this section is important to many Shareholders, as a substantial number of such persons do not hold Shares in their own name.

Holders who do not hold their Shares in their own name (“**Beneficial Shareholders**” or “**Beneficial Shareholder**” individually) should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Shareholders whose names appear on the records maintained by or on behalf of North West as the registered holders of Shares on the record date. If such Shares are listed in an account statement provided to a Shareholder by a broker or other intermediary, then in almost all cases those Shares will not be registered in that holder’s name on the records of North West. Such Shares will more likely be registered under the name of the holder’s broker, an agent or nominee of that broker or another intermediary. In Canada, the vast majority of such Shares are typically registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Shares held by brokers or their agents or nominees or another intermediary can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, the intermediaries are prohibited from voting the Shares for their clients. North West does not know for whose benefit Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders, however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable voting instruction form in lieu of the Form of Proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively the Beneficial Shareholder can call a toll-free telephone number or access the internet to provide instructions regarding the voting of the Shares held by the beneficial holder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at a meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have such Shares voted.

If you are a Beneficial Shareholder, you may only attend the Meeting as a proxyholder for the registered holder and vote your Shares, as applicable, in that capacity. If you wish to attend the Meeting and vote your own Shares, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the applicable form of proxy or voting instruction form provided to you (and cross out the name of the Chairman and his alternate) and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker or intermediary well in advance of the Meeting and carefully follow its instructions and procedures.



### **Is My Vote Confidential?**

The transfer agent protects the confidentiality of individual Shareholder votes, except where (a) the Shareholder clearly intends to communicate his or her individual position to management; and (b) as necessary to comply with legal requirements. All proxies are considered confidential and will be returned to North West's transfer agent, CIBC Mellon. The transfer agent will also act as the Meeting's scrutineers and will count the proxies and tabulate and verify the results. The transfer agent will refer a proxy to North West if it has a comment or is intended for North West's management, or in connection with the applicable legal requirements.

### **How Many Shares are Entitled to Vote?**

As of May 6, 2011, the common shares are the only class of shares of North West outstanding which entitle holders to vote at meetings of Shareholders. As of May 6, 2011, there were 48,378,000 Shares issued and outstanding. Each Shareholder is entitled to one vote per Share on all matters to be voted on at Shareholder meetings.

A quorum is required to conduct the business of the Meeting. Two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 25% of the outstanding Shares will constitute a quorum at the Meeting. North West's list of Shareholders as of the record date will be used to deliver to Shareholders both the Notice of Meeting and this Circular, as well as to determine who is eligible to vote.

### **Are There any Principal Holders of Shares?**

As of May 6, 2011, based on publicly available filings, to the knowledge of the directors and the officers of North West, no person beneficially owns, or controls or directs, directly or indirectly, voting securities of North West carrying 10% or more of the voting rights attached to any class of voting securities of North West.

### **Solicitation of Proxies**

North West requests that you fill out your Form of Proxy to ensure your votes are cast at the Meeting. **If you leave the Form of Proxy blank, and if you do not specify how your Shares are to be voted on particular resolutions, the Chairman (or his alternate) will vote your Shares as described above under the heading "— How Do I Vote If I Am A Registered Shareholder? — Voting By Proxy For Registered Shareholders — Depositing Your Proxy". This solicitation of your proxy (your vote) is made by or on behalf of the Board.**

North West will pay the costs related to the foregoing solicitation of your proxy. This solicitation will be made primarily by mail. Employees of North West and its subsidiaries, or representatives of CIBC Mellon, may also ask for proxies to be returned, but will not be paid any additional compensation for doing so.

### **How Is A Vote Passed?**

The matters scheduled to be voted upon at the Meeting consist of ordinary resolutions. Ordinary resolutions are passed by a simple majority, meaning that if more than half of the votes that are cast are in favour, then the resolution passes.

### **Will There Be Any Other Business Conducted at the Meeting?**

As of May 6, 2011, management and the directors do not know of any matters to be brought before the Meeting other than those set forth in the Notice of Meeting accompanying this Circular.

## PART II — BUSINESS OF THE MEETING

### 1. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements of North West for the year ended January 31, 2011 and the auditor's report to the Shareholders of North West will be presented at the Meeting. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set forth in the CICA handbook published by the Canadian Institute of Chartered Accountants. These financial statements are posted on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.northwest.ca](http://www.northwest.ca).

### 2. APPOINTMENT OF AUDITORS

**If you return a form of proxy but do not specify how you want your Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting "FOR" the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, Winnipeg, Manitoba, as auditors of North West to hold office until the next annual meeting of Shareholders at a remuneration to be determined by the audit committee of the Board.**

PricewaterhouseCoopers LLP have been the auditors of North West since January 1, 2011, and auditors of its predecessor companies since June 10, 1987.

#### **Auditor Service Fees**

The following table lists the fees incurred by North West for services from PricewaterhouseCoopers LLP, by category, for the last two fiscal years.

<u>Type of Fees</u>	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
Audit Fees . . . . .	\$373,000	\$357,000
Audit-Related Fees . . . . .	114,899	71,797
Tax Fees . . . . .	218,921	234,755
All other Fees . . . . .	20,970	4,778
<b>TOTAL . . . . .</b>	<b><u>\$727,790</u></b>	<b><u>\$668,330</u></b>

The nature of each category of fees is described below:

#### **Audit Fees**

Audit fees were paid for professional services rendered by the auditors for the audit of North West's annual financial statements or services provided in connection with statutory and regulatory filings or engagements, and the review of the North West's interim financial statements.

#### **Audit-Related Fees**

Audit related fees related to professional services for store audit procedures, review of procedures for North West, confirmation on compliance with debt covenants, and assistance with IFRS implementation plan.

#### **Tax-Related Fees**

Tax related fees include professional services for tax compliance services and advice, trust conversion, acquisition and other matters.

#### **All Other Fees**

All other fees related to professional services for Canadian Public Accountability Board and business consulting.

## **Pre-Approval Policies and Procedures**

As part of North West’s governance structure, the audit committee annually reviews and approves the terms of the external auditor’s engagement. To further ensure the independence of the auditors is not compromised, North West’s policy requires that the audit committee also pre-approve all engagements of the auditors for non-audit related services. All non-audit related engagements must also be reported to the Audit Committee on a quarterly basis.

### **3. ELECTION OF DIRECTORS OF NORTH WEST**

**If you return a form of proxy but do not specify how you want your Shares voted, the persons named as proxy holders will cast the votes represented by proxy at the Meeting “FOR” the following director nominees. Each director elected will hold office until the next annual meeting or until his or her successor is elected or appointed, unless his or her office is vacated earlier.**

The following persons have been nominated for election:

- H. Sanford Riley
- Edward S. Kennedy
- David G. Broadhurst
- Frank J. Coleman
- Wendy F. Evans
- Robert J. Kennedy
- Gary J. Lukassen
- James G. Osborne
- Gary Merasty

Except for Mr. Merasty, all nominated directors are currently directors of North West. See “Part III — ABOUT THE NOMINATED DIRECTORS” for further information on nominated directors. Mr. Ian Sutherland is not standing for re-election as a director.

Directors require a plurality of votes to be elected. However, if a director receives more “withheld” votes than “for” votes, he or she must offer to resign. The Governance and Nominating Committee will review the matter and then recommend to the Board whether or not to accept the resignation. The director will not participate in any board or committee deliberations on the matter.

The Board will announce its decision as soon as practically possible after the Meeting. If it rejects the resignation, it will disclose the reasons why. If the Board accepts the resignation, it may appoint a new director to fill the vacancy. The Board believes this practice reflects good governance.

### **4. ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION APPROACH**

You will have an opportunity to vote on our approach to executive compensation at the upcoming Meeting. Your vote is advisory and non-binding, and will provide the Board and the Human Resources, Compensation and Pension Committee (the “Compensation Committee”) with important feedback.

The Board, through the Compensation Committee, is responsible for formulating and monitoring the effectiveness of North West’s compensation program. In creating North West’s compensation program, North West is guided by the goal of aligning the interests of North West’s executives with the long-term interests of the Shareholders. The Board believes that Shareholders should have the opportunity to express their opinion on North West’s executive compensation program by voting for or against the following resolution:

**“RESOLVED** on an advisory basis and not to diminish the role and responsibilities of the Board, that the Shareholders accept the approach to executive compensation disclosed in

North West's Circular delivered in advance of the 2011 annual and special meeting of Shareholders."

Approval of this resolution will require that it be passed by a majority of the votes cast by Shareholders. As this is an advisory vote, the results will not be binding on the Board. However, the Board and the Compensation Committee will consider the outcome of the vote as part of its ongoing review of North West's executive compensation program.

Prior to voting on this resolution, North West urges Shareholders to read the "Compensation Discussion and Analysis" section of the Circular. We describe our compensation philosophy, the objectives and elements of each program, and the way we measure and assess the performance and make compensation decisions. We explain how and why a large portion of our executive's compensation is linked to performance and earned over the longer term. North West encourages Shareholders with specific concerns to contact the Board directly by writing to the Chairman of the Board, 77 Main Street, Winnipeg, Manitoba R3C 2R1.

**If you return a form of proxy but do not specify how you want your Shares voted, the persons named as proxy holders will cast the votes represented by proxy at the Meeting "FOR" the advisory resolution.**

North West will disclose the results of the advisory vote in its report on the 2011 annual and special meeting voting results.

## 5. APPROVAL OF THE AMENDED AND RESTATED OPTION PLAN

### Summary

The Compensation Committee is accountable for the oversight of North West's executive compensation programs, including the design of executive compensation. An in-depth market review is conducted every three years to ensure base pay, incentives and total compensation is competitive and aligned with North West's performance goals. In the fall of 2010, the Compensation Committee initiated a search for an independent compensation consultant to undertake this process for 2011. As a result of this search, Mercer (Canada) Limited ("Mercer") was retained by the Compensation Committee to provide consulting/advisory services and to provide recommendations with respect to the competitiveness and design of North West's executive compensation.

During the course of Mercer's work with the Compensation Committee, consideration was given to long-term compensation models that would better reinforce North West's performance goal of delivering superior total shareholder returns, consisting of higher than average, sustainable dividends and earnings growth. The Compensation Committee determined that the existing option plan did not properly align management's long term compensation with the dividend yield component of this performance goal. Mercer presented to the Compensation Committee their recommendation that North West replace its existing stock option plan that was effective January 1, 2011 (a unit option plan was originally put into place in June, 2009, which was amended effective January 1, 2011 to reflect the conversion from an income fund to a share corporation) ("**Original Option Plan**") with a stock option plan that would provide for the granting of options to purchase common shares issued from treasury having a seven year term. Under this plan, a plan participant who is not subject to income taxes in the United States will be entitled to elect at the time of exercise of the option, either: a) an option with an exercise price of no less than the fair market value (as defined below) on the grant date (the "**Standard Option**"); or b) an option to acquire the same number of Shares that may be acquired pursuant, and on the identical terms and conditions, to the corresponding Standard Option, except the exercise price for this option will be calculated by deducting from the exercise price applicable to the corresponding Standard Option, the portion of the dividends paid that exceed the hurdle rate set by the Board on an annual basis at the time of the grant (the "**Partially Declining Exercise Price Option**"). Under the current *Income Tax Act* (Canada), the plan participant will pay tax on one-half of the "in the money amount" at the time of exercise if he or she elects the Standard Option, and will pay tax on the full "in the money amount" at the time of exercise if he or she elects the Partially Declining Exercise Price Option.

The Partially Declining Exercise Price Option is intended to reward plan participants for the payment of dividends, as this is a key component of North West's Shareholder value proposition of distributing a significant portion of its cash flow to Shareholders. This will also allow plan participants to see a direct link between dividends paid and potential compensation plan payouts, while still providing a balance between equity growth

and sustainable dividend distributions. The Compensation Committee has determined that, subject to the approval of the Amended and Restated Option Plan by the TSX and the Shareholders, the exercise price per option for the Partially Declining Exercise Price Option feature granted for 2011 will be calculated by deducting from the exercise price applicable to the Standard Option, the portion of all quarterly dividends paid, on a per Share basis, that exceed a dividend yield of 2% for North West.

Based on the review of the Original Option Plan initiated in connection with Mercer's recommendation, the Compensation Committee also proposed additional amendments to the Original Option Plan. The full text of the proposed amended and restated Original Option Plan reflecting all of the proposed amendments is set forth in Appendix "B" of this Circular (the "**Amended and Restated Option Plan**").

### **Nature of Amendments**

The following is a summary only of certain material amendments to the Original Option Plan as reflected in the proposed Amended and Restated Option Plan, a copy of which is attached to this Circular as Appendix "B". This summary does not contain all of the information about the amendments or the Amended and Restated Option Plan and North West strongly encourages Shareholders to read the Amended and Restated Option Plan carefully and in its entirety, as the rights and obligations of the parties are governed by the express terms of the Amended and Restated Option Plan and not by this summary or any other information contained in this Circular.

#### **Definition of "Insider"**

*Original Option Plan* — Insider as defined in the *The Securities Act* (Manitoba), and also includes associates and affiliates of the Insider.

*Amended and Restated Option Plan* — In response to changes to the TSX Company Manual, has the meaning ascribed to "reporting insider" in National Instrument 55-104 — *Insider Reporting Requirements and Exemptions*, and also includes associates and affiliates of the Insider.

#### **Definition of "Qualified Retirement"**

*Original Option Plan* — Generally, the retirement of a plan participant which the plan administrators in their sole discretion approved as a Qualified Retirement.

*Amended and Restated Option Plan* — Generally, the retirement of a plan participant which the plan administrators in their sole discretion approved as a Qualified Retirement, however the plan participant must be at least 55 years of age to be considered for a Qualified Retirement.

#### **Maximum Number of Shares Available for Issuance**

*Original Option Plan* — The aggregate number of underlying Shares reserved for issuance upon the exercise of all options granted under the Original Option Plan and all other equity compensation plans of North West will not exceed 5% of the then issued and outstanding Shares.

*Amended and Restated Option Plan* — The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the issued and outstanding Shares as of the date hereof. Any option that is cancelled, surrendered, terminated or expires prior to the exercise of a portion thereof will result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the plan to the extent of any Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired options.

## Option Grant

*Original Option Plan* — Each option has an exercise price no less than Fair Market Value on the grant date.

*Amended and Restated Option Plan* — Each option granted to a plan participant who is not subject to income taxes in the United States\* will consist of:

- (a) Standard Option: an Option with an exercise price no less than the Fair Market Value on the grant date; and
- (b) Partially Declining Exercise Price Option: an option to acquire the same number of Shares that may be acquired pursuant, and on identical terms and conditions, to the corresponding Standard Option, except that this option will have an exercise price calculated by deducting from the exercise price applicable to the corresponding Standard Option, the portion of all dividends paid that exceed the hurdle rate set by the Board on an annual basis at the time of the grant.

The Compensation Committee has determined that, subject to the approval of the Amended and Restated Option Plan by the TSX and the Shareholders, the exercise price per option for the Partially Declining Exercise Price Option granted for 2011, will be calculated by deducting from the exercise price applicable to the Standard Option, the portion of all quarterly dividends paid, on a per Share basis, that exceed a dividend yield of 2% for North West.

At the time of exercise, such plan participant will be entitled to elect to exercise such option pursuant to the terms of one or a combination of the Standard Option and/or the Partially Declining Exercise Price Option.

**\* Plan participants who are subject to income taxes in the United States will be granted the Standard Option only.**

## Insider Participation Limits

*Original Option Plan* — 5% of the then issued and outstanding Shares.

*Amended and Restated Option Plan* — 10% of the then issued and outstanding Shares.

## Termination of Options Where Optionee Voluntarily Resigns

*Original Option Plan* — Silent.

*Amended and Restated Option Plan* — Treated in the same manner as an optionee whose employment is terminated without cause, where the Optionee continues to be a participant in the plan for the earlier of 90 days or until all vested options held by the optionee have expired in accordance with the plan.

## Vesting of Unvested Options on Qualified Retirement

*Original Option Plan* — The vesting date of all unvested options which vest on a date that is after the third anniversary of the date of the Qualified Retirement will be accelerated to the date that is the third anniversary of the Qualified Retirement. The exercise date of all options (whether vested or unvested) will be accelerated or amended, as applicable, to the date that is 90 days following the third anniversary of the date of the Qualified Retirement.

*Amended and Restated Option Plan* — All unvested Options will continue to vest and expire in accordance with the vesting and expiration schedule established at the time of grant for such Options.



### Exercise of Options

#### *Original Option Plan —*

Optionee may elect to receive Shares issued from treasury either on payment of the Exercise Price or by way of a cashless exercise.

#### *Amended and Restated Option Plan —*

In addition to the alternatives available under the Original Option Plan, the optionee may also elect to receive a cash payment, subject to North West's right to require the optionee to elect to receive Shares issued from treasury either on the payment of the Exercise Price or by way of a cashless exercise in lieu of such cash payment.

### Maximum Term of Options

#### *Original Option Plan —*

120 months, subject to an automatic extension as described under the heading "Summary of the Amended and Restated Option Plan — Blackouts" below.

#### *Amended and Restated Option Plan —*

84 months, subject to an automatic extension as described under the heading "Summary of the Amended and Restated Option Plan — Blackouts" below.

### Vesting of Options in the Event of Certain Transactions

#### *Original Option Plan —*

In the event that: (i) North West proposes to amalgamate, merge, consolidate or enter into an arrangement with any other corporation(s) or other entit(ies) or to liquidate, dissolve or wind-up; (ii) an offer to purchase or repurchase the Shares or any part thereof will be made to all or substantially all holders of Shares; or (iii) there is a transaction involving a Change in Control (each, a "**Proposed Transaction**"), North West will have the right, in its sole discretion, upon written notice thereof to each optionee holding options under the plan, to accelerate the vesting of any unvested options and to permit the exercise of all options within the 20 day period following the date of such notice and to determine that upon the expiration of such 20 day period, all rights of the optionees to options or to exercise same (to the extent not theretofore exercised) will terminate.

#### *Amended and Restated Option Plan —*

The amendments set out that the vesting of all or some of the options (whether or not currently vested) may be accelerated by North West and that all rights of optionees to options or to exercise same (to the extent they are not exercised) upon the expiration of the 20 day period will terminate, provided that the Proposed Transaction is completed within 180 days after the date of the notice. If the Proposed Transaction is not completed within the 180-day period, any affected plan participant, within a period of 20 days following the 180-day period, may elect to cancel an exercise pursuant to the notice. In respect of any plan participant who makes this election, North West will return to the plan participant all rights under the Participant's Options as if no exercise had been effected, subject to appropriate adjustment of accounts to the position that would have existed had there been no exercise of Options or repurchase of Shares.

### **Board Approval of the Amended and Restated Option Plan**

At a meeting of the Board held on May 6, 2011, the Board received a presentation from the Compensation Committee in respect of the Amended and Restated Option Plan. Following such a presentation, there was further discussion and having determined that the proposed stock option plan was in the best interests of North West, the Board unanimously approved, subject to the approval of the TSX and Shareholders, the Amended and Restated Option Plan in substantially the form attached to this Circular as Appendix "B".



## **Approval of the Amended and Restated Option Plan Resolution**

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass, with or without alteration or modification, an ordinary resolution, the full text of which is set forth in Appendix “A” to this Circular, approving, the adoption by North West of the Amended and Restated Option Plan.

**If the Amended and Restated Option Plan Resolution is not passed at the Meeting, the Original Option Plan will continue to be in full force and effect, in accordance with its terms.**

## **Summary of the Amended and Restated Option Plan**

The following is a summary of the material provisions of the Amended and Restated Option Plan. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Amended and Restated Option Plan, the full text of which is set out in Appendix “B” to this Circular.

### **Purpose of the Design of the Amended and Restated Option Plan**

The Amended and Restated Option Plan will be a component of North West’s current long-term incentive plan. The purpose of the Amended and Restated Option Plan is to promote long-term Shareholder value creation by:

- fostering greater alignment of interests between participating executives of North West and other Participating Companies (which is defined in the Amended and Restated Option Plan to mean North West and such other North West affiliates (which means any subsidiary company controlled by North West) as the Board may designate from time to time) and Shareholders, by providing a long-term incentive vehicle that allows them to accumulate a meaningful financial interest in North West, commensurate with the responsibility, time horizon of the role, commitment and risk associated with their role;
- supporting a compensation plan that is competitive and rewards long-term success of North West as measured in total Shareholder returns, and by providing a balance between equity growth and sustainable above average dividend payments; and
- assisting North West and other Participating Companies in attracting, retaining, and motivating qualified individuals with the experience and ability to deliver strong results and support their business strategy.

The Amended and Restated Option Plan will be administered by the Board or any committee of the Board responsible for the administration of the Amended and Restated Option Plan as designated by the Board (the “**Amended and Restated Option Plan Administrators**” or “**Administrators**”).

The particulars of the Amended and Restated Option Plan are as follows:

### **Eligible Participants**

Eligible participants (“**Plan Participants**” or “**Participants**”) are employees of North West and a Participating Company approved for participation in the Amended and Restated Option Plan by the Amended and Restated Option Plan Administrators.

### **Number of Shares Reserved for Issuance**

Options may be granted in respect of authorized and unissued Shares, provided that the aggregate number of underlying Shares reserved for issuance upon the exercise of all options granted under the Amended and Restated Option Plan will be limited to 4,354,020 Shares. Accordingly, the Amended and Restated Option Plan Administrators may issue additional options to acquire up to 3,844,820 Shares, which represents 7.94% of the issued and outstanding Shares (assuming no additional options are granted or awarded, as applicable, prior to the effective date for the Amended and Restated Option Plan, and no Shares are issued pursuant to any outstanding options prior to the effective date for the Amended and Restated Option Plan). This takes into account the 509,200 options outstanding under the Original Option Plan (1.05% of the issued and outstanding Shares as of the date hereof). If the Amended and Restated Option Plan Resolution is approved at the Meeting,

all of the entitlements under existing options will continue to be governed by the terms and conditions of the Original Option Plan, and the terms and conditions of their grant, with no change to the applicable exercise price or vesting and expiry schedules.

Any option that is cancelled, surrendered, terminated or expires prior to the exercise of all or a portion thereof will result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the Amended and Restated Option Plan to the extent of any Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired options.

North West also has another equity based compensation plan called the “Director Deferred Share Unit Plan”. Under this plan, the directors of North West may elect to exercise awards under the plan in the form of Shares. The amount of Shares reserved for issuance under this plan cannot exceed 1% of aggregate number of: (i) issued and outstanding Shares plus (ii) the number of Shares issuable upon the exchange of outstanding Exchangeable Securities, if any. As at May 6, 2011, there were 129,428 outstanding Deferred Share Units under this plan or 0.27% of all issued and outstanding Shares. See “PART III — ABOUT THE NOMINATED DIRECTORS”.

### **Limitations on Underlying Shares**

The total number of underlying Shares issuable to any Plan Participant will not exceed 5% of the issued and outstanding Shares at the date of the grant of the option. Except with the approval of the Shareholders given by the affirmative vote of a majority of the votes cast at a meeting of Shareholders, excluding the votes attaching to Shares beneficially owned by insiders of North West (and such insider’s associates and affiliates) to whom Shares may be issued pursuant to any equity compensation arrangement, no options will be granted to any Amended and Restated Option Plan Participant if such grant could result, at any time, in:

- (a) the number of underlying Shares issuable to insiders of North West (and such insider’s associates and affiliates) pursuant to options and any other equity compensation arrangements exceeding 10% of the then issued and outstanding Shares;
- (b) the issuance to insiders of North West (and such insider’s associates and affiliates), within a one-year period, of a number of underlying Shares and any other equity compensation arrangements exceeding 10% of the then issued and outstanding Shares; or
- (c) the issuance to any one insider of North West (and such insider’s associates and affiliates), within a one-year period, of a number of underlying Shares exceeding 10% of the then issued and outstanding Shares.

### **Vesting**

Under the terms of the Amended and Restated Option Plan, options will continue to vest in accordance with the terms and conditions established by the Administrators at the date such options are granted. For options issued under the Original Option Plan to date, the Administrators have consistently granted time-vesting options that vest one third per year at the end of years three, four and five.

### **Exercise Price**

The Amended and Restated Option Plan Administrators will determine the number of options issued, the exercise price of each option, the expiration date of each option, the extent to which each option is exercisable from time to time during the term of the option and any other terms and conditions relating to each option, provided that each option granted under the Amended and Restated Option Plan will consist of:

- a) in the case of an option granted to a Participant who is not subject to income taxes in the United States:
  - (i) Standard Option: an option with an Exercise Price no less than the Fair Market Value (as defined below) on the Grant Date (the “**Grant Price**”); and
  - (ii) Partially Declining Exercise Price Option: an option to acquire the same number of Shares that may be acquired pursuant, and on identical terms and conditions, to the corresponding Standard

Option, except that this option will have an Exercise Price calculated by deducting from the Grant Price applicable to the corresponding Standard Option a portion of all dividends (or distributions) as determined by the Amended and Restated Option Plan Administrators in their sole discretion, on a per share basis, made by North West after the Grant Date for such option. For greater certainty, where a Grant Date falls other than on the first day of a fiscal quarter of North West, the per Share amount of the dividend or distribution deducted from the Grant Price for that fiscal quarter to determine the Exercise Price for a Partially Declining Exercise Price Option will be pro-rated from the Grant Date to the end of such fiscal quarter. The Amended and Restated Option Plan Administrators may establish a minimum Grant Price and/or Exercise Price for Partially Declining Exercise Price Options.

- b) in the case of an option granted to a Participant who is subject to income taxes in the United States, the Standard Option only.

“**Fair Market Value**” at any date means the volume-weighted average closing price of the Shares on the TSX for the five trading days immediately preceding such date. If the five-day averaging period described above for determining Fair Market Value is not required under Canadian law or by the TSX, then the Fair Market Value for purposes of options subject to the *U.S. Internal Revenue Code of 1986*, as amended (the “**Code**”) will be determined as follows: (a) by utilizing the five-day averaging period previously described, but only in situations in which the size of the option and the Optionee are designated in advance of the five-day averaging period; or (b) by utilizing the last sale before or the first sale after the grant, the closing price on the trading day before the Grant Date or on the Grant Date, the arithmetic mean of the high and low prices on the trading day before the Grant Date or on the Grant Date, or any other reasonable method using actual transactions in the Shares as reported on an established market. In the event that such Shares are not listed and posted for trading on any stock exchange, the Fair Market Value will be the fair market value of the Shares as determined by the Administrators in their sole discretion.

### **Exercise of Options**

An Amended and Restated Option Plan Participant may elect to receive the value of the options being exercised as follows:

Issuance of Shares from Treasury: An Optionee may elect that North West satisfy an option exercise by issuing to the Optionee from treasury the specified number of underlying Shares subject to the option exercise. For this election, the Optionee must provide a cheque payable to North West in an amount calculated as the amount of any applicable withholding tax plus the product of the Exercise Price and the number of Shares to be acquired pursuant to the option exercise.

Cashless Exercise: An Optionee may elect to receive the value of the options being exercised in the form of Shares without payment of the aggregate Exercise Price due on such exercise. Under this election, North West will calculate and issue to such Participant that number of Shares as is determined by application of the following formula:

$$X = \{[Y(A-B)]/A\} - C$$

Where

X = the number of Shares to be issued to the Participant upon such cashless exercise

Y = the number of Underlying Shares in respect of the option being exercised

A = the Fair Market Value as at the date of such notice of exercise, if such Fair Market Value is greater than the exercise price

B = the Exercise Price of the option being exercised

C = that number of Shares having a value equal to the amount of applicable source deduction withholdings

Any Shares withheld to satisfy source deduction withholdings will immediately be sold on the Participant’s behalf.

**Cash Payment:** An Optionee may elect that North West satisfy an option exercise by making (or causing to be made) a cash payment in an amount calculated as the excess of (X) the product of Fair Market Value at the date of exercise and the number of Underlying Shares subject to the option exercise over (Y) the product of the applicable Exercise Price and the number of such Underlying Shares, less any applicable withholding tax that may be required; provided, however, that if the Optionee has elected to exercise an option to receive cash, North West may determine in its sole discretion to satisfy such exercise by requiring the Optionee to elect one of the following in lieu of such cash payment: (a) North West issuing to the Optionee from treasury the specified number of Underlying Shares subject to the option exercise; or (b) North West issuing to the Optionee from treasury the number of Shares by way of cashless exercise as described above.

### **Maximum Term**

Subject to an automatic extension as described under the heading “— Blackouts” below, in no event may the term of an option exceed 84 months from the date of the grant of such option.

### **Blackouts**

If the term of an option terminates during a blackout period of North West under North West’s insider trading policy, or within nine business days following the expiration of a blackout period, the term for such option will be automatically extended to the date which is the tenth business day after the end of the blackout period, such tenth business day to be considered the end of the term for such option for all purposes under the Amended and Restated Option Plan.

### **Termination of Options**

Subject to certain exceptions noted below, and to any express resolution passed by the Amended and Restated Option Plan Administrators with respect to an option, an option and all rights to purchase Shares or otherwise exercise such option pursuant thereto will expire and terminate immediately upon the Optionee who holds such option ceasing to be a Participant unless such person voluntarily resigns or was terminated without cause or due to the death, disability or Qualified Retirement (as defined in the Amended and Restated Option Plan) of such Participant. For greater certainty, if an Optionee’s employment with North West or a Participating Company, as the case may be, is terminated for cause, all options granted to the effected Optionee (whether vested or unvested) will be deemed to immediately expire and terminate upon the giving of any notice of such termination of employment.

The Administrators may, in their sole discretion, at the time of the granting of options under the Amended and Restated Option Plan, determine the provisions relating to expiration and vesting of an option upon the retirement or termination of employment with North West or any Participating Company of an Optionee while holding an option which has not been fully exercised. The provisions relating to such expiration will be contained in the written option agreement, instrument or certificate between North West and the Optionee.

If the employment of an Optionee with North West or a Participating Company, as the case may be, is terminated without cause or an Optionee voluntarily resigns from such employment prior to the expiration of all vested options held by such Optionee, such Optionee will be deemed to continue to be a Participant under the Amended and Restated Option Plan for a period ending at the earlier of 90 days after such voluntary resignation or termination without cause, as the case may be, or until all vested options held by such Optionee have expired in accordance with the Amended and Restated Option Plan. All unvested options will immediately expire upon such termination without cause or voluntary resignation.

If an Optionee retires from employment with North West or any Participating Company prior to the expiration of options held by such Optionee, and such retirement is approved by the Administrators as a Qualified Retirement, such Optionee will be deemed to continue to be a Participant under the Amended and Restated Option Plan until such options held by such Optionee have expired in accordance with the Amended and Restated Option Plan. For greater certainty, all unvested options will continue to vest in accordance with the vesting schedule established at the time of grant for such options.

If the holder of an option dies holding a vested option which has not been fully exercised, the person’s personal representatives, heirs or legatees may, at any time during the period commencing on the date of the

grant of probate of the will or letters of administration of the estate of the deceased and ending on the earlier of: (a) the expiry time of such vested option; and (b) the date that is one year from the date of the grant of probate of the will or letters of administration, exercise the option with respect to the unexercised vested option (or portion thereof).

### **Non-Assignability of Options**

Options are not assignable, except in certain limited circumstances set out in the Amended and Restated Option Plan.

### **Amendments**

Subject to the other provisions of the Amended and Restated Option Plan, the Board may amend or discontinue the Amended and Restated Option Plan at any time without Shareholder approval, provided, however, that no such amendment or discontinuance may materially and adversely affect any option previously granted to a Plan Participant without the consent of the Participant, except to the extent required by law. Notwithstanding the foregoing, the Amended and Restated Option Plan may not be amended to affect any of the following without Shareholder approval:

- (a) an increase to the Amended and Restated Option Plan maximum or number of Shares reserved for issuance under the Amended and Restated Option Plan;
- (b) an amendment to the amendment provisions granting additional powers to the Amended and Restated Option Plan Administrators to amend the Amended and Restated Option Plan or entitlements without Shareholder approval;
- (c) a reduction in the exercise price of options or other entitlements (other than, for greater certainty, the reductions provided for under the Partially Declining Exercise Price Option);
- (d) an extension to the term of options;
- (e) a change to the insider participation limits to a level that would require North West to obtain disinterested Shareholder approval under the rules or policies of the TSX or applicable securities regulatory authorities;
- (f) a change to the definition of “Participant”; or
- (g) a change to permit options to be transferable or assignable to any person other than to the personal representatives, heirs or legatees of the optionee in accordance with the Amended and Restated Option Plan.

For greater certainty, Shareholder approval will not be required for the following amendments and the Board may make the following changes without Shareholder approval, subject to any regulatory approvals including, where required, the approval of the TSX:

- (a) amendments of a “housekeeping” nature;
- (b) a change to the vesting provisions of any option; and
- (c) a change to the expiration provisions of any option that does not entail an extension beyond the original expiration date, as may be extended in accordance with the Amended and Restated Option Plan.

Notwithstanding the foregoing or anything contained in the Amended and Restated Option Plan to the contrary, with respect to options subject to the Code, no amendment or other action will: (1) reduce the Exercise Price to an amount less than the Fair Market Value of the Underlying Shares on the date the option was originally granted; (2) provide financial assistance to the Optionee that directly or indirectly reduces the Exercise Price to an amount less than the Fair Market Value of the Underlying Shares on the Grant Date, regardless of whether the Optionee in fact benefits from the financial assistance, or (3) extend the term of an option beyond the original expiration date (as such date may be extended by virtue of the provision in the Amended and Restated Option Plan providing for an automatic extension of an option term in connection with

a Blackout Period), unless (with respect to all three prohibitions) the option is treated as a new option for purposes of the Code and the Exercise Price (as modified, if applicable) equals or exceeds the Fair Market Value as of the date of the change, or, with respect an extension of the option term, the exercise of the option would violate an applicable law or would jeopardize the ability of North West or a Participating Company to continue as a going concern and the option term is extended to no more than 30 days after the exercise would no longer violate applicable law or jeopardize the ability of North West or a Participating Company to continue as a going concern.

## **Approvals**

### **Shareholder Approval**

The full text of the Amended and Restated Option Plan resolution to be passed by Shareholders to approve the Amended and Restated Option Plan is set out in Appendix “A” to this Circular. In order for the Amended and Restated Option Plan resolution to be passed, it must be approved by a majority of the votes cast by the Shareholders, either present in person or represented by proxy, at the Meeting.

The directors and senior officers of North West and its subsidiaries, who beneficially owned, directly or indirectly, or exercised control or direction over, approximately 3.3% of the outstanding Shares as at May 6, 2011, have indicated that they intend to vote in favour of the Amended and Restated Option Plan Resolution.

**If you return a form of proxy but do not specify how you want your Shares voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting “FOR” the approval of the Amended and Restated Option Plan resolution.**

### **TSX Approval**

The Amended and Restated Option Plan is subject to the approval of the TSX. The TSX has conditionally approved the Amended and Restated Option Plan and the listing of the Shares reserved for issuance under the Amended and Restated Option Plan, subject to the receipt of Shareholder approval.

## **6. OTHER BUSINESS**


North West will consider any other business that may properly come before the Meeting. As at the date of this Circular, we are not aware of any other business to be considered at the Meeting.


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### PART III — ABOUT THE NOMINATED DIRECTORS

In accordance with By-Law #1 of North West, the directors have set the number of directors to be elected at the Meeting at nine (9). At least 25% of directors must be residents of Canada. The mandatory retirement age for directors is 70.

 <p><b>H. Sanford Riley</b> Winnipeg, Manitoba Canada Age: 60 Director Since: 2003  <b>Independent</b></p>	Mr. Riley was appointed Chairman of North West in June, 2008. Mr. Riley has been President and CEO of Richardson Financial Group Limited since 2003. He held the positions of Chairman of Investors Group Inc. from 2001 to 2002, and President and CEO of Investors Group Inc. from 1992 to 2001. He currently holds the positions of Director for Molson Coors Brewing Company, Richardson GMP Limited, GMP Capital Inc., The Canada West Foundation and Canadian Western Bank. He is the Chairman of the University of Winnipeg Foundation. Mr. Riley was appointed to the Order of Canada in July, 2002.						
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		
	Board of Directors (Chair) <sup>(1)</sup>		7 of 7	100%	7 of 7	100%	
	<b>Equity Ownership<sup>(6)</sup></b>						
	<b>Year</b>	<b>Shares (#)</b>	<b>Deferred Share Units (DSU's) (#)</b>	<b>Total # Shares &amp; DSU's</b>	<b>Total \$ Value of Common Shares and DSU's<sup>(4)</sup></b>	<b>Minimum Required to Meet Ownership Guidelines (\$)</b>	<b>Meets Share Ownership Target</b>
	2010	11,000	29,981	40,981	810,598	90,000	Yes
	2009	11,000	20,775	31,775	570,044		
	Net Change	—	9,206	9,206	240,555		

 <p><b>Edward S. Kennedy</b> Winnipeg, Manitoba Canada Age: 51 Director Since: 1996  <b>Non-Independent</b></p>	Mr. Kennedy, who joined North West in 1989, was appointed President & Chief Executive Officer of North West in 1996. He is currently a Director for United Grocers Inc.; is a member of the Advisory Boards of the Richard Ivey School of Business (University of Western Ontario); and of the University of Alberta School of Retailing. Mr. Kennedy is a member of the Young Presidents' Organization; the Associates of the Asper School of Business (Faculty of Management, University of Manitoba); the Board of Governors, Saint John's Ravenscourt School; Canadian Council of Chief Executive Officers; member and past officer of the Business Council of Manitoba; and is the Chairperson of the 2011 Winnipeg United Way Campaign.						
	Mr. Kennedy has also been presented with the following awards:						
	<ul style="list-style-type: none"> <li>• June 2006 — Retail Council of Canada's "Distinguished Canadian Retailer of the Year";</li> <li>• October 2007 — University of Alberta School of Retailing's "Henry Singer Award" for exceptional leadership in the retail sector; and</li> <li>• October 2009 — Canadian Business Magazine's "All-Star Retail Executive" award.</li> </ul>						
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>		
	Board of Directors <sup>(2)</sup>		7 of 7	100%	7 of 7	100%	
	<b>Equity Ownership<sup>(6)</sup></b>						
	<b>Year</b>	<b>Shares (#)</b>	<b>Deferred Share Units (DSU's) (#)</b>	<b>Total # Shares &amp; DSU's</b>	<b>Total \$ Value of Common Shares and DSU's<sup>(4)</sup></b>	<b>Minimum Required to Meet Ownership Guidelines (\$)</b>	<b>Meets Share Ownership Target</b>
	2010	263,719 <sup>(8)</sup>	—	263,719	5,216,362	90,000	Yes
	2009	423,534	—	423,523	7,598,200		
	Net Change	-159,815	—	-159,815	-2,381,838		





**David G. Broadhurst**  
 Toronto, Ontario  
 Canada  
 Age: 69  
 Director Since: 1997

**Independent**

Mr. Broadhurst is the President of Poynton Investments Limited. He held the positions of President and Chief Operating Officer of Reeve Court Insurance Limited (Bermuda) from 1998 to 2001, and was an investment banker with First Marathon Securities Limited from 1996 to 1998. Prior to 1996, Mr. Broadhurst spent his entire career with Price Waterhouse Canada, retiring in 1996 as the Senior Tax Partner. He is a Director for MCAN Mortgage Corporation and the Canadian Opera Company.

Board/Committee Membership		Attendance		Attendance (Total)		
Board of Directors		6 of 7	86%	28 of 31	90%	
Governance Committee		17 of 19	90%			
Audit Committee		5 of 5	100%			
Equity Ownership <sup>(6)</sup>						
Year	Shares (#)	Deferred Share Units (DSU's) (#)	Total # Shares & DSU's	Total \$ Value of Common Shares and DSU's <sup>(4)</sup>	Minimum Required to Meet Ownership Guidelines (\$)	Meets Share Ownership Target
2010	15,000	15,752	30,752	608,278	90,000	Yes
2009	15,000	11,945	26,945	483,393		
Net Change	—	3,807	3,807	124,884		



**Frank J. Coleman**  
 Corner Brook,  
 Newfoundland and  
 Labrador  
 Canada  
 Age: 57  
 Director Since: 1999

**Independent**

Mr. Coleman has been the President and Chief Executive Officer of the Coleman Group of Companies since 1991. He is the Chair of the Board of Directors of Rocky Mountain Liquor Inc.; the President and Chief Executive Officer of Humber Valley Paving Ltd.; and Humber Valley Aggregates and Asphalt Ltd. Mr. Coleman is a Director for United Grocers Inc.

Board/Committee Membership		Attendance		Attendance (Total)		
Board of Directors		7 of 7	100%	26 of 26	100%	
Governance Committee (Chair)		19 of 19	100%			
Equity Ownership <sup>(6)</sup>						
Year	Shares (#)	Deferred Share Units (DSU's) (#)	Total # Shares & DSU's	Total \$ Value of Common Shares and DSU's <sup>(4)</sup>	Minimum Required to Meet Ownership Guidelines (\$)	Meets Share Ownership Target
2010	72,500	4,901	77,401	1,530,988	90,000	Yes
2009	72,500	3,298	75,798	1,359,816		
Net Change	—	1,603	1,603	171,172		

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**Wendy F. Evans**  
 Toronto, Ontario  
 Canada  
 Age: 60  
 Director Since: 2005  
**Independent**

Ms. Evans has been the President of Evans and Company Consultants Inc. since 1987, providing international marketing, financial and management services. She is an Associate of Cambridge Corporate Development; a Member of the Dean's Advisory Council and Adjunct Professor, Ted Rogers School of Management, Ryerson University; a Member of the Corporate Cabinet Conservation Foundation; and author of "Border Crossings, Doing Business in the U.S.". Ms. Evans served as a Director for Sun Life Financial Trust and the Canadian Cancer Society, and was on the Advisory Board of the Ontario Retail Sector Strategy. She is also the past President and Chair of Granite Ltd.

Board/Committee Membership		Attendance		Attendance (Total)		
Board of Directors		7 of 7	100%	19 of 19	100%	
Audit Committee		5 of 5	100%			
Compensation Committee		7 of 7	100%			
Equity Ownership <sup>(6)</sup>						
Year	Shares (#)	Deferred Share Units (DSU's) (#)	Total # Shares & DSU's	Total \$ Value of Common Shares and DSU's <sup>(4)</sup>	Minimum Required to Meet Ownership Guidelines (\$)	Meets Share Ownership Target
2010	5,300	15,430	20,730	410,032	90,000	Yes
2009	5,300	11,907	17,207	308,694		
Net Change	—	3,523	3,523	101,339		



**Robert J. Kennedy**  
 Winnipeg, Manitoba  
 Canada  
 Age: 61  
 Director Since: 2003  
**Independent**

Mr. Kennedy has been the Chief Executive Officer for WiBand Communications Corp. since 1999. He was a consultant for IBM Corporation from 1997 to 1999 and the Chief Executive Officer and founder of PBSC Computer Training Centres from 1985 to 1997; and the Chief Executive Officer and founder of ComputerLand Western Canada from 1978 to 1987.


Board/Committee Membership		Attendance		Attendance (Total)		
Board of Directors		7 of 7	100%	19 of 19	19 of 19	
Compensation Committee (Chair) <sup>(3)</sup>		7 of 7	100%			
Audit		5 of 5	100%			
Equity Ownership <sup>(6)</sup>						
Year	Shares (#)	Deferred Share Units (DSU's) (#)	Total # Shares & DSU's	Total \$ Value of Common Shares and DSU's <sup>(4)</sup>	Minimum Required to Meet Ownership Guidelines (\$)	Meets Share Ownership Target
2010	3,000	17,124	20,124	398,047	90,000	Yes
2009	3,000	12,110	15,110	271,073		
Net Change	—	5,014	5,014	126,974		




**Gary J. Lukassen**  
 Mississauga, Ontario  
 Canada  
 Age: 67  
 Director Since: 1987  
**Independent**

Mr. Lukassen was the Executive Vice-President and Chief Financial Officer of the Hudson's Bay Company (HBC) from 1989 until his retirement in 2001; a Director of the Hudson's Bay Company from 1987 to 2001; and the Senior Vice-President, Finance and Administration of the Hudson Bay Company from 1987 to 1989. He is a former Director of AbitibiBowater Inc. and Stelco Inc.

Board/Committee Membership		Attendance		Attendance (Total)		
Board of Directors		7 of 7	100%	12 of 12	100%	
Audit Committee (Chair)		5 of 5	100%			
Equity Ownership <sup>(6)</sup>						
Year	Shares (#)	Deferred Share Units (DSU's) (#)	Total # Shares & DSU's	Total \$ Value of Common Shares and DSU's <sup>(4)</sup>	Minimum Required to Meet Ownership Guidelines (\$)	Meets Share Ownership Target
2010	15,250	12,435	27,685	547,603	90,000	Yes
2009	15,250	10,323	25,573	458,780		
Net Change	—	2,112	2,112	88,824		

 <p><b>James G. Osborne</b> Winnipeg, Manitoba Canada Age: 69 Director Since: 1987 <b>Independent</b></p>	<p>Chairman of Westgate Capital Group and the Managing Partner of the Vision Capital Fund LP since 1990; Chairman of a large public sector pension plan in Manitoba from 1979 to 1993; thereafter the Chief Executive Officer of its investment management subsidiary to the sale of such in 1999; Investment Dealer working in various capacities in Montreal, Toronto and Winnipeg with two national firms from 1965 to 1989. In addition to serving as a Director of roughly 25 corporations across Canada in the last 25 years, reflecting his pension and venture capital management responsibilities, he continues as a Director for Lumira Capital Corp. in Toronto.</p>					
	<b>Board/Committee Membership</b>		<b>Attendance</b>		<b>Attendance (Total)</b>	
	Board of Directors		7 of 7	100%	33 of 33	100%
	Governance Committee		19 of 19	100%		
Compensation Committee		7 of 7	100%			
<b>Equity Ownership<sup>(6)</sup></b>						
<b>Year</b>	<b>Shares (#)</b>	<b>Deferred Share Units (DSU's) (#)</b>	<b>Total # Shares &amp; DSU's</b>	<b>Total \$ Value of Common Shares and DSU's<sup>(4)</sup></b>	<b>Minimum Required to Meet Ownership Guidelines (\$)</b>	<b>Meets Share Ownership Target</b>
2010	195,000	5,150	200,150	3,958,976	90,000	Yes
2009	195,000	3,527	198,527	3,561,574		
Net Change	—	1,623	1,623	397,401		

 <p><b>Gary Merasty</b> Saskatoon, Saskatchewan Canada Age: 46 New Nominee <b>Independent</b></p>	<p>Mr. Merasty is the Vice President, Corporate Social Responsibility for Cameco Corporation. He previously held the positions of Member of Parliament for the Desnethe Missinippi Churchill River Riding; the Grand Chief for the Federation of Saskatchewan Indian Nation; and the Educational Coordinator for Peter Ballantyne Cree Nation. Mr. Merasty is presently a Director for the Canada West Foundation; the Children's Hospital Foundation of Saskatchewan; and for Enterprise Saskatchewan. He is the Chairperson for the Credenda Virtual High School. Mr. Merasty is the former Chairman and Director for the Saskatchewan Indian Gaming Authority; former Director for Westwind Aviation Ltd.; and the Saskatoon Airport Authority. He is also the former Chairman and Director of the Saskatchewan Indian Institute of Technology; the Northern Lights Community Development; and the former Co-Chairman and Director of the Northern Development Board.</p>						
	<b>Equity Ownership<sup>(6)</sup></b>						
	<b>Year</b>	<b>Shares (#)</b>	<b>Deferred Share Units (DSU's) (#)</b>	<b>Total # Shares &amp; DSU's</b>	<b>Total \$ Value of Common Shares and DSU's<sup>(4)</sup></b>	<b>Minimum Required to Meet Ownership Guidelines (\$)</b>	<b>Meets Share Ownership Target</b>
	—	—	—	—	—	—	—

Notes:

- (1) The Chairman of the Board is an ex-officio member of all Board committees.
- (2) The President and Chief Executive Officer attends Board committee meetings as an invited guest.
- (3) Mr. Bob Kennedy was appointed Chairperson of the Human Resources, Compensation and Pension Committee effective February 24, 2011. The former committee Chairperson, Keith Martell resigned from the Board effective February 2, 2011.
- (4) The table shows the number and value of Shares and DSU's as at January 31, 2010, valued at the closing price of the Shares at January 31, 2010 for 2009 (\$17.94). The table also shows the number of and value of Shares and DSU's as at April 30, 2011, valued at the closing price as at April 30, 2011 for 2010 (\$19.78).
- (5) Mr. Edward Kennedy is not eligible to participate in the Director Deferred Share Unit Plan, as he is an employee of North West.
- (6) Indicates Shares owned either directly or subject to the director's control and direction.
- (7) The new Director nominee will have three years from his date of initial election to the Board to meet the minimum shareholding requirement.
- (8) Mr. Edward Kennedy sold 160,051 Shares upon the termination of the employee Unit Purchase Loan Program in December, 2010.

## Attendance of Directors at Board and Committee Meetings

The table below sets forth the number of director meetings and Board committee meetings held during the twelve month period ended January 31, 2011, and the number of meetings attended by each director.

Director Name	Board (7 Meetings)		Audit Committee (5 Meetings)		Governance and Nominating Committee (19 Meetings)		Human Resources, Compensation and Pension Committee (7 Meetings)	
	#	%	#	%	#	%	#	%
H. Sanford Riley <sup>(1)</sup>	7	100	—	—	—	—	—	—
Edward S. Kennedy <sup>(2)</sup>	7	100	—	—	—	—	—	—
David G. Broadhurst	6	86	5	100	17	90	—	—
Frank J. Coleman	7	100	—	—	19	100	—	—
Wendy F. Evans	7	100	5	100	—	—	7	100
Robert J. Kennedy	7	100	5	100	—	—	7	100
Gary J. Lukassen	7	100	5	100	—	—	7	100
James G. Osborne	7	100	—	—	19	100	7	100
Ian Sutherland <sup>(3)</sup>	6	86	5	100	—	—	6	86
<b>Average/Percentage</b>		<b>97</b>	<b>—</b>	<b>100</b>	<b>—</b>	<b>97</b>	<b>—</b>	<b>96</b>

Notes:

- (1) The Chairman of the Board is an ex-officio member of all Board committees.
- (2) The President and Chief Executive Officer attends all Board committee meetings as an invited guest.
- (3) Mr. Sutherland is not standing for re-election as a director.

The Board and its committees regularly conduct “in-camera” sessions, at which no management directors or members of management are present. The in-camera sessions are intended not only to encourage the Board and its committees to fully and independently fulfil their mandates, but also to facilitate the performance of fiduciary duties and responsibilities of the Board and its committees on behalf of the Shareholders.

### Director Fees

The Governance and Nominating Committee (the “Governance Committee”) retained Towers Watson during 2010 as a consultant to assess the market competitiveness of the directors’ compensation. North West paid Towers Watson a retainer of \$25,420 for this compensation review.

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Towers Watson assisted the Governance Committee to develop a peer group of sixteen Canadian companies who are primarily in the food and retail sector with market capitalization between \$250 million and \$5 billion, and revenue between \$500 million and \$11 billion. The core group of 12 retail companies was supplemented by 4 similarly sized organizations in other industries to reflect the broader employment market for North West's directors. This group of companies is listed below:

Company	Industry Classification
BMTC Group	Retailing
Colabor Group Inc.	Food and Staples Retailing
Davis Henderson Income Fund	Finance
Dollarama Inc.	Retailing
Fortis Inc.	Utilities
Forzani Group Ltd.	Retailing
Indigo Books and Music Inc.	Retailing
Laurentian Bank of Canada	Finance
Leon's Furniture Ltd.	Retailing
Metro Inc.	Food and Staples Retailing
Reitmans Canada Ltd.	Retailing
Rona Inc.	Retailing
Sears Canada Inc.	Retailing
The Jean Coutu Group (PJC) Inc.	Retailing
Uni-Select Inc.	Retailing
Viterra, Inc.	Food, Beverage and Tobacco

As a result of the recommendations made by Towers Watson, the Governance Committee presented their recommendations to the Board. The following are the retainer and meeting fees approved by the Board as a result of this compensation review.

Annual Retainer <sup>(1)</sup>	Fees (\$)
Chairperson of the Board <sup>(2)</sup>	145,000
Board Members <sup>(3)</sup>	42,500
Audit Committee Chairperson <sup>(4)</sup>	12,000
Governance and Nominating Committee Chairperson <sup>(4)</sup>	8,000
Human Resources, Compensation and Pension Committee Chairperson <sup>(4)</sup>	8,000
Meeting Attendance Fees <sup>(1)</sup>	
Board meeting (in person or by conference call)	1,500
Any Committee meeting of the Board (in person or by conference call)	1,500

Notes:

- (1) The grant of deferred share units to any director cannot exceed \$100,000 per year.
- (2) The Board Chairperson is not paid any meeting attendance fees. This Annual Retainer is paid in the sum of \$30,000 per fiscal quarter (either by cash or the grant of deferred share units at the discretion of the Chairperson), and by the grant of deferred share units in June of each year in the sum of \$25,000.
- (3) This Annual Retainer is paid in the sum of \$7,500 per fiscal quarter (either by cash or the grant of deferred share units at the discretion of the director), to each director (other than the Board Chairperson), and by the grant of deferred share units in June of each year in the sum of \$12,500.
- (4) The Chairpersons of each Board committee are entitled to meeting attendance fees of \$1,500 per Board committee, in addition to their annual committee Chairperson retainer. These fees are paid either by cash or the grant of deferred share units at the discretion of the director.

## Deferred Share Unit Plan

North West offers a deferred share unit plan for independent directors (the “**Director Deferred Share Unit Plan**”). The purpose of the Director Deferred Share Unit Plan is to enhance the ability of North West to attract and retain independent directors whose training, experience and ability will contribute to the effective governance of North West, and to directly align their interests with the interests of Shareholders, by providing compensation for services to North West in the form of deferred share units. Participants are credited with deferred share units based on the portion of director fees each participant elects to allocate to the Director Deferred Share Unit Plan. Each deferred share unit entitles the holder to receive one Share.

Participants are credited with deferred share units on a quarterly basis. The number of Shares underlying an award is calculated on the date of grant by dividing the portion of the director’s fees that are payable to the participant in deferred share units for the current quarter, by the fair market value of the Shares on the date that the award is granted. Fair market value is determined by calculating the weighted average trading price of the Shares on the TSX for the five trading days on which the Shares traded immediately preceding such date.

The deferred share units, which vest immediately on the grant date, can be exercised by the holder at any time, but no later than December 31 of the first calendar year commencing after the holder ceases to be a director. A participant may elect at the time of exercise of any deferred share units, subject to the consent of North West, to have North West pay an amount in cash equal to the aggregate current market value of the Shares, determined based on the closing price of the Shares on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to North West the right to receive Shares from the exercising of the deferred share units.

The total number of deferred Shares outstanding as at April 30, 2011 was 129,428. There were no deferred share units exercised during the period February 1, 2010 to January 31, 2011. However, effective April 18, 2011, Keith Martell, who resigned from the Board effective February 2, 2011 due to his primary business commitments, exercised all of his outstanding deferred share units and received a cash payment.

## Director Fees Paid for the Year Ended January 31, 2011

The retainer and meeting fees earned by each director who is not an officer or employee of North West or any of its subsidiaries for the fiscal year ended January 31, 2011 are reflected in the following chart. The directors are also reimbursed for reasonable traveling and other expenses properly incurred by them in attending Board or Board committee meetings in connection with their services as directors.

Name	Fees Earned (\$)	Share-based awards (\$) <sup>(1)</sup>	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total (\$)
H. Sanford Riley <sup>(2)</sup> . . . . .	11,250	121,250	—	—	—	—	132,500
David G. Broadhurst . . . . .	19,500	50,950	—	—	—	—	70,450
Frank J. Coleman . . . . .	56,300	21,250	—	—	—	—	77,550
Wendy F. Evans . . . . .	12,000	45,850	—	—	—	—	57,850
Robert J. Kennedy . . . . .	—	57,850	—	—	—	—	57,850
Gary J. Lukassen . . . . .	41,250	22,000	—	—	—	—	63,250
James G. Osborne . . . . .	56,400	21,250	—	—	—	—	77,650
Ian Sutherland . . . . .	—	54,850	—	—	—	—	54,850

Notes:

(1) Represents awards under the Director Deferred Share Unit Plan.

(2) Effective January 1, 2011, Mr. Riley is entitled to receive a maximum annual grant of \$100,000 in deferred share units.



## Director Ownership Requirements

To ensure directors are aligned with Shareholder interests, all non-management directors of North West are required to hold, either directly or indirectly, or exercise control or direction over Shares or deferred share units with value equivalent to \$90,000, or three times the value of the annual cash retainer of \$30,000. The value of the Share is calculated at market value. Directors have five years from the date of initial appointment to comply. All directors seeking re-election met this requirement as at the date of this Circular. See “Part III — About the Nominated Directors”.

## Corporate Cease Trade Orders or Bankruptcies

### *Mr. James G. Osborne*

Mr. Osborne was a director and founding member along with five others of Futureview Inc., a company that went public in January 2001 on the Winnipeg Stock Exchange using its Keystone Company Program, and subsequently became listed on the TSX Venture Exchange. The shares of Futureview Inc. were suspended from trading in 2003 due to the company’s failure to complete a required qualifying transaction as required by TSX Venture Exchange policy. The company was wound up in April 2004 after the external public shareholders had been returned 100% of their original investment, and all corporate liabilities had been paid.

Mr. Osborne was a director of Jazz Golf Equipment Inc. prior to it being a reporting issuer until October 6, 2006, at which time he resigned due to a disagreement as to corporate strategy being directed by the major shareholder’s representatives on the Board of Directors. On October 27, 2006, the Board issued a press release announcing approval of the sale of assets to a subsidiary of Ensis Growth Company Inc., the largest shareholder and creditor of Jazz, under the *Bankruptcy and Insolvency Act* (Canada) (the “Bankruptcy Act”). This was subsequently approved by the Court on November 22, 2006. The shares ceased trading on January 5, 2007.

### *Mr. Gary J. Lukassen*

Mr. Lukassen was a director of Stelco Inc. from June 2002 until March 31, 2006. On January 29, 2004, Stelco Inc. filed for, and was granted Court protection under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”). Stelco Inc. emerged from Court protection under the CCAA on March 31, 2006.

Mr. Lukassen was a director of Abitibi Consolidated Inc. from April 2003 to October 2007, and a director of AbitibiBowater Inc. from October 2007 until December 9, 2010. On April 16, 2009 AbitibiBowater Inc. filed for relief under the provisions of Chapter 11 of the United States Bankruptcy Code, and on April 17, 2009 filed for protection under the CCAA in Canada. AbitibiBowater Inc. emerged from Court protection under CCAA and Chapter 11 on December 9, 2010.

### *Mr. Robert J. Kennedy*

Mr. Kennedy was a director and officer of WiBand Corporation. In December 2001, WiBand Communications Corp. was sold to OA Group Inc. an issuer listed on the TSX Venture Exchange. Shares were exchanged and the shareholders of WiBand Communications Corp. received shares in OA Group Inc. As a condition of the share exchange, Mr. Kennedy was to be included on the management slate of the Board of Directors of OA Group Inc. He was elected to the Board of Directors OA Group Inc. on June 20, 2002. Upon seeing the financial condition of OA Group Inc., Mr. Kennedy resigned on July 8, 2002. OA Group Inc. went into receivership on July 15, 2002. Mr. Kennedy bought certain assets from the receiver and continues the business under the WiBand name.

Mr. Kennedy was a director of Jazz Golf Equipment Inc. In 2006, Jazz Golf Equipment Inc., a company listed on the TSX Venture Exchange, filed a proposal under the Bankruptcy Act to sell its assets to Ensis Corporation to become a private company. Under the proposal, all creditors were to be satisfied. Mr. Kennedy resigned on November 22, 2006 from the Board. Jazz Golf Equipment Inc. was de-listed from the TSX Venture Exchange.



## **PART IV — EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

This section of the Circular explains how the executive compensation program is designed for North West's executive management team. The material elements of compensation and the reasons supporting each element are also provided. For a complete understanding of the executive compensation program, this Compensation Discussion and Analysis ("CD&A") should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure. This CD&A explains our compensation philosophy, the design of our overall executive compensation program, and how each element of the program contributes to the overall objectives of North West. The CD&A outlines what the directors intended North West to pay, make payable, award, grant, give or otherwise provide to its executive team in 2010 relative to performance. It also explains the roles and responsibilities, the process for, and the Board's determination of, the compensation of its executive management team. Finally, we outline the other benefits provided.

North West adopts a "pay for performance" philosophy and ensures that programs are aligned with organization-wide and business unit accountabilities. In order to ensure that North West is able to attract and retain top talent, base salaries are generally set at the median of the Market (as defined below) with the ability to generate upper quartile pay through incentive programs by achieving upper quartile performance.

North West's executive compensation consists of base salary, short-term annual incentives, medium and long term incentives, share option plan, and pension benefits. North West designs executive compensation policies to attract, motivate and retain qualified executives. To emphasize performance based compensation, North West benchmarks total cash compensation levels to the median of a peer group of companies, and provides the opportunity to earn total compensation above the median through medium term and long term incentive plans.

Annual incentives are aligned to reward growth in EBIT plus a credit or minus a charge for the net source or use of working capital and foreign exchange over the previous year. In 2010, earnings on a consolidated basis and in North West's International division did not exceed prior year's performance, and as a result, there was no annual cash incentive paid to those executives measured against these performance measures. North West's performance for its Northern Canada retail and Giant Tiger divisions exceeded the prior year's performance, and as a result, executives measured against the performance of these divisions earned an annual incentive amount.

Medium and long term incentive programs (the "LTIP") are aligned to reward longer term growth in Earnings per Share ("EPS") for those measured on the performance of North West and growth in business unit EBIT plus a credit or minus a charge for the net change in operating assets used for those with accountability for a specific store banner or business unit. A new LTIP commenced in 2008 with the first payment made in 2011. North West's share price increased in 2010 from \$17.94 at the start of the year to \$21.09 as of January 31, 2011. Total shareholder return, including distributions and dividends, was 26.5% for 2010, and remained in the top quartile compared to the TSX Composite, Consumer Durables/Apparel Group Retailing Group and Food/Staples Retailing Group. See "PART IV — EXECUTIVE COMPENSATION — Performance Graph".

A unit option plan was put into place in June 2009, which was amended effective January 1, 2011 to reflect the conversion from an income fund to a share corporation. This plan remains a component of North West's current long-term incentive plan. The purpose of this plan is to promote long-term shareholder value creation by fostering greater alignment of interests between the executives and Shareholders of North West.

Benefits provided to the executives are generally consistent with those provided to other salaried employees of North West, including health plans and insurance plans. Senior executives in the Canadian division, excluding Giant Tiger, are also entitled to a cash payment equal to 10% base salary in lieu of supplemental benefits and perquisites typically provided for these position levels at comparator companies.

### **Executive Compensation Philosophy**

North West embraces an organization-wide market competitive, pay-for-performance compensation philosophy linked to the attainment of corporate and business unit goals and creation of Shareholder value. At the executive level, North West's total compensation objective is to pay in the upper quartile of the market when

sustainable upper quartile financial performance is achieved. This is measured relative to the performance and pay practices of similar-sized North American publicly-traded retailers (the “**Market**”).

Base salaries are targeted at the 50th percentile of the Market with total compensation targeted at the upper quartile of the Market for upper quartile performance. The actual amount of annual incentive and medium-to-longer term pay is dependent upon both business unit, and organization-wide success in meeting specific performance goals. North West’s overall compensation strategy is weighted towards these pay-for-performance components.

North West believes in pay-for-performance, which is why over 50% to 75% of the compensation for our executives is linked to a combination of achievement of organization goals and Share price performance. The mix of incentive rewards are aligned to the planning horizon associated with the executive’s role. For our executive team, 25% to 50% of total compensation is tied to longer term performance through Restricted Share Unit (“RSU”) grants, Performance Share Unit (“PSU”) grants, and through options.

In addition to this philosophy, North West’s executive compensation programs are also designed to:

- Attract and retain top talent;
- Motivate superior performance;
- Align rewards to the time horizon of the position;
- Focus on key performance measures that drive yield and annual growth for shareholders; and
- Be consistent with prevailing views of good governance.

#### **Overview of the Compensation Process**

The Compensation Committee is accountable for the oversight of North West’s executive compensation programs, including the design of executive compensation. The Compensation Committee consists of entirely independent directors. The Compensation Committee has the responsibility to review and make recommendations to the Board concerning the compensation of the CEO and to approve the CEO’s recommendations regarding the CEO’s direct reports.

The Compensation Committee selects and retains the services of an independent consultant to provide professional advice related to the executive compensation plans. Hewitt Associates (“Hewitt”) was retained by the Compensation Committee (the “**Consultant**”) for the years 2007 to 2010, and provided no other consulting services to North West. North West paid fees in the sum of \$1,584 to Hewitt in 2010.

The Consultant has direct interaction with the Compensation Committee’s chairman, the Chairman of the Board, attends Committee meetings, and provides independent benchmarking of peer companies, general industry compensation information and trends in executive compensation. The Committee recognizes that independence from management is fundamental to its effectiveness in managing executive compensation programs and as such, holds in-camera sessions on a regular basis. The Consultant meets with management to collect information, to solicit management’s input and to fully understand North West’s plans, goals and actual performance.

The CEO and other executives’ roles in the compensation review process are to support the Committee and work with the Consultant to secure required input, conduct detailed financial modeling, preview materials and manage timelines.

#### ***Compensation Market Review***

Once every three years, an in-depth market review is conducted to ensure base pay, incentives and total compensation for each executive position is competitive. In September 2007, the Committee initiated a search for an executive compensation consultant to undertake this process. The Consultant was selected at this time and sought to gain consensus from the Committee on the approach, methodology and comparator companies in advance of conducting the detailed compensation review. The review focused on Canadian executives only as a market review had been conducted in 2007 for the North West’s U.S. executives.

In November, 2010, the Compensation Committee initiated a search for an independent compensation consultant to undertake the in depth market analysis for 2011. As a result of this search, Mercer (Canada) Limited (“**Mercer**”) was retained by the Compensation Committee to provide consulting/advisory services and to provide recommendations with respect to the competitiveness and design of North West’s executive compensation. This review is still underway, and the Compensation Committee is working with Mercer in redesigning as appropriate, the executive compensation plan, keeping in mind the compensation philosophy of North West. As a direct result of this review, North West is recommending the Amended and Restated Option Plan for its executive team as set out in the Circular. The final results of this review will be reported in next year’s management information circular. North West has paid Mercer the sum of \$70,008 for its consulting services to date.

**Benchmark Comparator Groups Used to Set Competitive Pay**

An initial list of 20 Canadian retail companies, extracted from proxy information, ranging in size from \$150 million to \$30 billion in revenues and 19 U.S. retail companies ranging from \$734 million to \$5.6 billion were presented to the Committee in 2007. Particularly in Canada, it was difficult to get a robust sample of retail companies as organizations vary widely in terms of size, complexity, organization structure, merchandise focus, and ownership. The Consultant was also able to draw upon their Total Compensation Measurement (“**TCM**”) database to extract relevant market data, particularly for those executive positions that typically do not get reported in proxy information. From the original benchmark comparator groups, for the purposes of determining long term incentive compensation levels and mix, data was excluded for: (i) those companies where the CEO was a controlling or significant shareholder; (ii) subsidiary companies; (iii) private companies that do not disclose performance; and (iv) those companies which were not a comparable size to North West. For long term incentive (“**LTI**”) compensation, this left a smaller group of eight more relevant and comparable companies to benchmark LTI practices. Companies identified with an asterisk (\*) were the companies used to benchmark LTI.

The primary comparator group used for Canadian executives includes the companies listed below:

<b>Canadian Comparator Companies</b>	
<b>Proxy Analysis Comparator Group</b>	<b>TCM Comparator Group</b>
Alimentation Couche-Tard	Best Buy Canada
The Brick Group*	The Brick Group
Canadian Tire*	Canadian Tire
Danier Leather	Danier Leather
Forzani*	Easyhome
Hart Stores	Home Depot Canada
Indigo Books & Music	Hudson’s Bay Company
Jean Coutu Group	Indigo Books & Music
Le Chateau	Katz Group Canada
Leon’s Furniture	Liquor Control Board of Ontario
Liquor Stores Income Fund	Loblaw Companies
Loblaw Companies	Lowe’s Companies Canada
Metro*	Nike Canada
Reitmans (Canada)	Reitmans (Canada)
Richelieu Hardware*	Rona
Rona*	Sears Canada
Sears Canada	Shoppers Drug Mart
Shoppers Drug Mart*	Staples Business Depot
Sleep Country Canada	Toys R Us (Canada)
Sobeys*	

U.S. Comparator Companies	
Proxy Analysis Comparator Group	TCM Comparator Group
99 Cents Only	Gander Mountain Co.
Big Lots	Genesco
Cabelas	Ingles Markets
Casey's General Stores	Pathmark Stores
Cost Plus	Pricesmart
Dollar Tree	Spartan Stores
Dress Barn	Stage Stores
Duckwall-ALCO	Stein Mart
Eddie Bauer	Weis Markets
Freds	

For United States executives, compensation data was gathered in 2007 from the following survey sources:

- Mercers 2006 U.S. Retail Compensation & Benefits Survey;
- Food Marketing Institute 2007 Management Compensation Study for U.S. Retailers and Wholesalers; and
- Towers Perrin custom survey.

Consideration was given to the blend of food and general merchandise companies' representative in the data and geographical differences. The peer group data was used in two ways:

- *Overall Competitiveness:* The data was used to establish appropriate performance targets for median and upper quartile performance, to establish appropriate pay mixes for various levels of executive positions, and to get an overall sense of whether pay practices were competitive relative to performance level achieved when looking back at the historical data; and
- *Individual Competitiveness:* The overall pay of individual executives was compared, if jobs were sufficiently similar to make that comparison relative. Each executive's pay was determined by individual and North West performance, along with internal banding of various executive levels for incentive pay programs. The peer group data was used as a market check ensuring that individual base pay is within range of the market median and total compensation is within the broad middle range of peer group pay.

In the years that fall in between the more detailed review process described above, salaries are set annually by monitoring industry practices through various salary budget surveys, with a particular emphasis on retail industry practices and adjusted as required for general business and economic factors. Actual increases by executive vary based on individual performance and how close their current salary is to the position's target base salary target.

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## North West's 2010 Executive Compensation Program

### Elements of Executive Compensation

The 2010 program consisted of the following elements of compensation:

- Base Salary;
- Annual cash incentive award;
- Two forms of medium term incentive awards — restricted share units (“RSU’s”) and performance share units (“PSU’s”); and
- Original Option Plan.

In addition to the various elements of direct compensation, executives also received the benefit package provided to all North West employees.

The table following shows how each executive level’s target total direct compensation was broken down as a percentage of each element of pay for 2010. This mix reflects the proportionate amount of influence and focus each level has on decision making and business results within the respective planning horizon, while reinforcing the pay-for-performance link and alignment with Shareholder interests.

Level of Position	Base Salary	Short-term Incentive (1 year)	Medium and long-term incentive (3-10 years)
President and CEO	25%	25%	50%
Executive Vice President and Chief Corporate Officer	40%	27%	33%
Executive Vice Presidents/Chief Financial Officer	45%	27.5%	27.5%
Vice President <sup>(1)</sup>	50%	25%	25%

Notes:

- (1) The Vice President and General Manager, Giant Tiger’s base salary is increased by 25% for the purposes of calculating his medium and long-term incentive awards. This is to ensure equity with other North West executives, while keeping with Giant Tiger Ltd.’s (the Franchisor) philosophy of lower base salaries and higher annual incentive grants.

### Base Salary

In setting base salaries for 2010, consideration was given to the following:

- Market Data from Consultant: Market data is updated every three years or as so required. North West relied on the market data obtained in 2008 (aged annually) from the consultant when considering base salary increases for 2010.
- The Overall Corporate Merit Budget: North West’s overall budget for base salary increases in 2010 was 3%, equal to the average merit increase for executives. This was established based on North West performance in 2009, projected performance in 2010, and salary survey data on planned 2010 salary increases, specific to executive positions in the retail industry in Canada and the U.S.
- Individual Performance: The level of an individual executive’s salary in relation to the target median salary in the market, and the individual’s skills, experience, performance and potential were all considered in the setting of the individual executive’s salary.

## Incentive Plans

The table below provides a summary of the annual and long term incentive plans North West had in place for executives and other senior management in 2010:

Name of Plan	Goals of the Plan	Type of Incentive
<p><b>Annual Incentive Plan</b></p> <ul style="list-style-type: none"> <li>Rewards performance over a one-year time frame</li> </ul>	<ul style="list-style-type: none"> <li>Attach a significant percentage of annual pay to achievement of financial targets</li> </ul>	<p>Cash payment based on</p> <ul style="list-style-type: none"> <li>Consolidated EBIT +/- cost of capital and/or business unit EBIT +/- cost of capital on changes in net working capital over the previous year, with weighting on each ranging from 0 — 100% depending on whether the executive has primarily company-wide or business unit accountabilities</li> </ul>
<p><b>Restricted Share Unit Plan</b></p> <ul style="list-style-type: none"> <li>Rolling three year performance cycle</li> <li>Awarded annually starting in 2008 with payment in 2011</li> <li>Second award in 2009 with payment in 2012</li> <li>Third award in 2010 with payment in 2013</li> </ul>	<ul style="list-style-type: none"> <li>Align rewards to medium-term planning horizons associated with these positions</li> <li>Attraction and retention</li> <li>Align interests with Shareholders</li> </ul>	<p>Cash payment based on:</p> <ul style="list-style-type: none"> <li>Vesting and pay-out at end of three years</li> <li>Distribution equivalents accrued over three years in the form of additional RSU's</li> <li>Pay-out amount equals the fair market value on vesting determined by the volume-weighted average Share price for the five days preceding the vesting date multiplied by the number of Shares vested</li> </ul>
<p><b>Performance Share Unit Plan</b></p> <ul style="list-style-type: none"> <li>Rolling three year performance cycle</li> <li>Awarded annually starting in 2008 with payment in 2011</li> <li>Second award in 2009 with payment in 2012</li> <li>Third award in 2010 with payment in 2013</li> </ul>	<ul style="list-style-type: none"> <li>To specifically reward the achievement of consolidated earnings per Share and business unit financial goals over a three year performance cycle</li> <li>Align interests with Shareholders</li> <li>Align the pay-for-performance philosophy</li> <li>See “2010 — 2013 Performance Cycle Targets” for performance hurdles</li> </ul>	<p>Cash payment linked to:</p> <ul style="list-style-type: none"> <li>Achievement of pre-determined financial targets</li> <li>Vesting and pay-out at the end of three years</li> <li>Distribution equivalents accrued over the three years in the form of additional PSU's</li> <li>100% vesting of awards based on approximately 7.5% cumulative compound annual growth over three years in earnings per unit or business unit EBIT +/- cost of capital on changes in net assets over the previous year</li> <li>Pay-out amount equals the fair market value on vesting determined by the volume-weighted average unit price for the five days preceding the vesting date multiplied by the number of Shares vested</li> </ul>
<p><b>Share Option Plan</b></p> <ul style="list-style-type: none"> <li>Awarded annually starting in 2009</li> </ul>	<ul style="list-style-type: none"> <li>Foster greater alignment of interests with Shareholders</li> <li>Ensures competitiveness and rewards long term success of the North West as measured in total Shareholder returns for the North West;</li> <li>Attraction, retention and motivation of qualified individuals with the experience and ability to deliver strong results and support their business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Vesting of options 1/3 per year at the end of years 3, 4 and 5</li> <li>Expiration of options at the end of year 10</li> <li>Exercise price based on volume weighted average closing price of Shares on TSX for the five trading days immediately preceding the date the option is granted</li> </ul>



### ***Annual Incentive Plan***

The annual incentive plan rewards the achievement of EBIT based financial performance targets, adjusted for cost of capital, foreign exchange, and unusual items. Annual incentive compensation ranges from zero, if EBIT finishes below the previous year, up to 150% of target, if North West achieves specific upper quartile financial objectives. For the fiscal year ended January 31, 2011, the EBIT on a consolidated basis finished below the previous year, and as a result, the annual incentive payment was zero for those executives measured against consolidated performance.

Target incentives for executives with overall corporate accountabilities are based 100% on achieving consolidated, adjusted EBIT targets. Executives accountable for business units, store banners or merchandise lines of business have their target incentives primarily focused on the performance of these respective areas with a lower percentage (10% — 20%) on consolidated EBIT performance.

In 2010, the President and CEO and other executives were eligible to receive annual incentive plan awards in the following ranges:

<b>Payment levels based on performance (% of base salary)</b>				
	<b>Below last year</b>	<b>Last year</b>	<b>Target<sup>(1)</sup></b>	<b>Maximum<sup>(2)</sup></b>
President & CEO	0	40	80	120
Executive Vice Presidents/Chief Financial Officer	0	30	60	90
Vice President	0	25	50	75
Vice President and General Manager, Giant Tiger <sup>(3)</sup>	0	50	100	150

Notes:

- (1) Target incentives are based on achieving 5% comparable business EBIT growth plus cost of capital adjustments, plus a credit or minus a charge for the net source or use of working capital, all over the previous year. Added to this target is the planned contribution from new growth investments. Refer to the “Incentive Plan Awards — Value Vested or Earned” table for actual awards vested or earned by each NEO for 2010 performance.
- (2) To achieve upper quartile pay-for-performance, the maximum incentive is set for 10% comparable business EBIT growth plus cost of capital adjustments, plus a credit or minus a charge for the net source or use of working capital, all over the previous year.
- (3) The Vice President and General Manager, Giant Tiger’s target incentive is set at 100% of base salary, in order to be aligned with the Giant Tiger’s franchisor’s compensation model of lower base salary and higher at risk pay.

### ***Medium-Long Term Incentive Plans***

Three different programs were in place in 2010, aligned to various performance cycles and planning horizon of work and to deliver the appropriate mix of medium (three year) and long term (10 year) results.

<b>LTI Blend</b>	<b>Restricted Share Units (as a % of LTI compensation)</b>	<b>Performance Share Units (as a % of LTI compensation)</b>	<b>Options (as a % of LTI compensation)</b>
All Executives	15%	50%	35%

### ***Restricted Share Units (“RSUs”)***

RSUs represented 15% of executives’ LTI compensation in 2010, and are time vested awards that fully vest at the end of the third year of the performance cycle. They are designed for attraction, retention and alignment of value earned with Shareholder value created over their three year vesting period.

### ***Performance Share Units (“PSUs”)***

PSUs represented 50% of executives’ LTI compensation, and are performance vested and paid out based on the level of achievement of pre-set financial targets. They are designed to reward financial target attainment over the medium term as follows:

Corporate: Three-year rolling fully diluted earnings per unit growth target.



**Operating & Business Units:** Three year rolling operating earnings growth targets. Operating earnings are defined as operating margin less administrative costs and a cost of capital factor (year-over-year change in cost of capital on net assets employed).

Vesting of PSUs for operating and business units are based on a three year cumulative earnings growth, with vesting targets at 100% of target between 20.8% — 24.2%.

The following chart sets out the corporate 2009 — 2011, and 2010 — 2012 performance cycle targets for the PSU grants.

Corporate Earnings per Share <sup>(1)</sup>	PSU Vesting (%)
Less than 7.7%	PSUs will be forfeited
7.7%	25% of target
15.8%	50% of target
24.2%	100% of target

Note:

(1) Earnings per Share growth is measured based on a three year cumulative compound growth rate.

### **Original Option Plan**

Options represented 35% of executives' target LTI compensation in 2010, and are time vested awards that vest one-third per year at the end of years three, four and five, with expiry of options at the end of year 10. They are designed for attraction, retention and alignment of value earned with long-term Shareholder value.

### **Unit Purchase Loan Plan**

North West has phased out its previous long term incentive program for Canadian executives, the Unit Purchase Loan Plan ("UPLP"), whereby North West extended loans to executives and key management for the purpose of purchasing fund units (prior to North West's conversion to a share corporation) through the open market. The loans were interest-free, limited recourse to former units held as security, with the after-tax value of distributions used as repayment of the loan. This program achieved its objective by ensuring a high degree of alignment between Shareholder and executive interests and was a relatively cost effective method of delivering long term compensation. The value to the employee was delivered through price appreciation and distributions of the underlying units supporting the loan. The disadvantages to the program were the accounting treatment impact on the balance sheet, the opportunity cost of the capital tied up in loans and the generally unfavorable view in the Market of loan programs. No new loans are being extended and all loans matured on January 31, 2011.

	Largest amount outstanding during year ended Jan 31, 2011 (\$)	Amount outstanding as at January 31, 2011 (\$)	Unit purchases during year ended January 31, 2011	Number of Shares held as security for loan as at January 31, 2011	Amount forgiven for year ended January 31, 2011 (\$)
Edward Kennedy . . . .	3,017,382	—	—	—	—
Léo Charrière . . . . .	—	—	—	—	—
John King . . . . .	—	—	—	—	—
Craig Gilpin . . . . .	—	—	—	—	—
Michael McMullen . . .	1,097,234	—	—	—	—
Scott McKay . . . . .	—	—	—	—	—

### **Other Elements of 2010 Compensation**

Executives are eligible to receive benefits generally offered on the same basis as other employees. These benefits include medical and dental insurance, life insurance, accidental death insurance, short term disability insurance and employee paid long term disability insurance. In addition, executives are eligible for an annual executive wellness assessment designed for health awareness and preventive care and enhanced life insurance. In

lieu of executive perquisites such as company cars, memberships, financial counselling and tax preparation, senior executives of North West, with the exclusion of those employed with the Giant Tiger division and the International division, receive a benefit payable in cash equal to 10% of base salary.

All current executives in Canada participate in a non-contributory Defined Benefit Pension Plan. The annual benefit payable is based on a range of 1.4% to 1.7% per year of service of the average of the final three years of remuneration. Remuneration includes base earnings plus bonuses. Upon death, reduced payments continue to the spouse, if applicable. Executives may elect to contribute to the plan to provide for ancillary benefits. The benefit is not reduced for early retirement at age 60 if the member has 10 years of service as an executive of North West. For retirement between ages 55 and 60 years, or before age 65 for those without 10 years of service, the benefit is reduced by 3% per year.

Executives may elect to accumulate their benefits through an alternative defined contribution arrangement. The benefits under this option are based on the balance accumulated in their defined contribution account. Currently, there are no active participants in this program.

Executives in North West's International division have the option to participate in North West's International 401(k) Plan, a defined contribution plan qualified under sections 401(a) and 401(k) of the Internal Revenue Code. Eligible employees may elect to contribute a portion of their salary to the plan, and North West provides 50% matching contributions on the employee's contributions up to 6% of base salary.

See the "Present Value of Accumulated Pension Benefits" table for additional information regarding the value of these pension benefits.

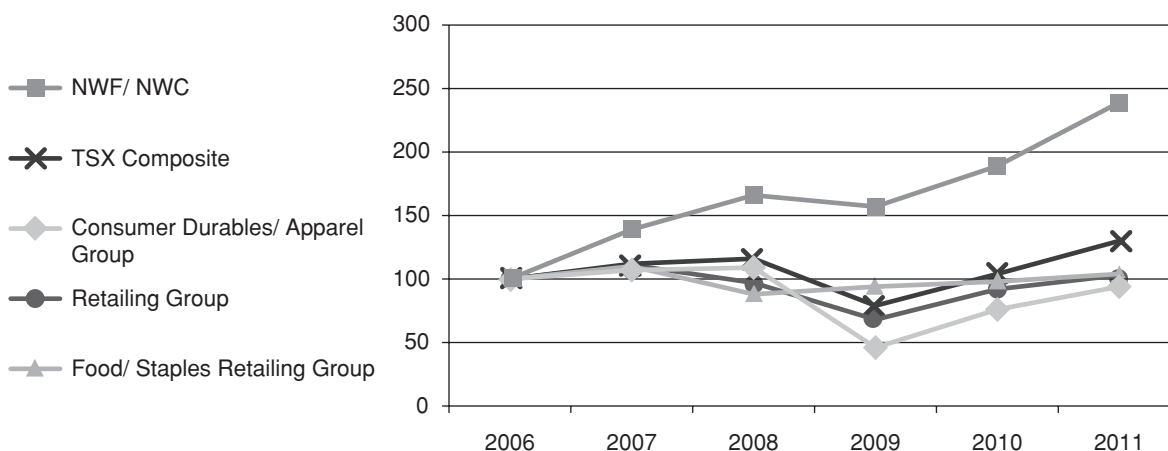
### Performance Graph

Below is a comparison of the cumulative total return between North West and the TSX Composite, Consumer Durables/Apparel Group, Retailing Group/Staples Retailing Group from January 31, 2006 to January 31, 2011. Shares in North West produced a return of 26.5% in 2010, and over the past 5 years, have produced a compound annual return of 19.1%.

The table below also shows the value of total compensation for North West's NEO's for the same period, as disclosed in North West's previous management information circulars for these periods.

North West's Share performance has been very strong during the past 5 years. However, over the past 3 years, North West's total compensation has decreased from \$5.9 million to \$4.0 million. This trend is not reflective of the cumulative total Shareholder return on North West's Shares.

	2006	2007	2008	2009	2010	2011
NWF/NWC	100	139	166	157	189	239
TSX Composite	100	112	116	79	104	130
Consumer Durables/Apparel Group	100	107	109	46	76	94
Retailing Group	100	111	97	68	92	103
Food/Staples Retailing Group	100	110	88	94	98	104
Value of Total Compensation for NEOs (in \$ million)	3.0	3.3	3.6	5.9	5.3	4.0



### Summary Compensation Table

The following table summarizes the aggregate compensation paid or payable by North West to the President and Chief Executive Officer, the Chief Financial Officer, and the next three most highly compensated executives of North West, whose total compensation, excluding pension received or to be received, in respect of the fiscal year ended January 31, 2011 was greater than \$150,000.

Name/Principal Position	Year	Salary (\$)	Share Based Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation			Total Annual Compensation (\$)
					Annual Incentive Plans (\$) <sup>(3)</sup>	Pension Value (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	
<b>Edward Kennedy</b> <sup>(6)</sup> President and Chief Executive Officer	2010	666,831	848,640	456,960	—	– 833,500	97,907	1,236,838
	2009	649,354	832,000	456,960	318,938	346,000	106,122	2,709,374
	2008	626,538	1,280,000	—	418,065	374,100	173,693	2,872,396
<b>Léo Charrière</b> <sup>(7)</sup> Executive Vice President and CFO	2010	179,038	135,036	72,722	—	– 120,900	219,219	485,135
	2009	338,115	132,275	72,722	124,585	131,900	49,879	849,476
	2008	328,692	203,500	—	163,144	142,000	77,490	914,826
<b>John King</b> <sup>(8)</sup> Chief Financial Officer	2010	201,000	93,348	48,385	—	24,600	21,801	389,134
	2009	152,192	48,750	26,775	46,719	38,000	22,239	333,542
	2008	147,308	75,000	—	61,240	38,300	27,754	349,602
<b>Craig Gilpin</b> <sup>(9)</sup> Executive Vice President, and Chief Corporate Officer	2010	286,039	165,973	93,235	201,000	83,300	29,842	859,389
	2009	—	—	—	—	—	—	—
	2008	—	—	—	—	—	—	—
<b>Michael McMullen</b> Executive Vice President, Northern Canadian Retail	2010	273,846	106,456	57,322	117,780	– 15,900	35,788	575,292
	2009	266,519	104,271	57,322	88,270	197,500	41,881	755,763
	2008	259,135	160,416	—	129,515	26,200	68,569	643,835
<b>Scott McKay</b> Vice President and General Manager, Giant Tiger West	2010	172,154	68,453	36,859	234,225	163,300	2,644	677,635
	2009	167,558	67,031	36,859	128,578	—	9,820	408,846
	2008	162,981	103,125	—	124,849	73,000	24,013	487,968

Notes:

- (1) Represents the dollar amount based on the grant date fair value of the award for the fiscal year under North West's RSU and PSU plans multiplied by the number of Shares granted. The grant date fair market value was calculated by using the volume weighted average closing market price for the five days prior to and including the grant date. In order to approximate the relative value compared to a freely traded unit, a discount factor of 10% was assigned to RSU's and 25% for PSU's to determine the number of RSU's and PSU's awarded to each participant. The targeted LTI compensation for each type of award was divided by this discounted value to determine the number of share Shares to be awarded. During 2008, 2009, and 2010 the total RSU's and PSU's granted to each

NEO were as follows. The RSU's granted in 2008 vested and were paid out in 2011. All other RSU and PSU grants have not vested to date.

	<b>2008 RSU Grant</b>	<b>2008 PSU Grant</b>	<b>2009 RSU Grant</b>	<b>2009 PSU Grant</b>	<b>2010 RSU Grant</b>	<b>2010 PSU Grant</b>
Edward Kennedy	48,941	58,729	13,571	54,283	12,109	48,436
Léo Charrière	7,781	9,337	2,158	8,630	1,927	7,708
John King	2,868	3,441	795	3,181	1,236	4,942
Craig Gilpin	—	—	—	—	2,368	9,473
Michael McMullen	6,134	7,360	1,701	6,803	1,519	6,076
Scott McKay	3,943	4,732	1,093	4,373	977	3,907

- (2) Represents the dollar amount based on the grant date fair value. Grant date fair value was calculated by using the volume weighted average closing price of the Shares on the TSX for the five trading days immediately preceding the grant date. No options were granted in 2008. No options have vested to date.
- (3) Represents the dollar value of all amounts earned for services performed during the fiscal year that are related to awards under non-equity incentive plans and all earnings on any such outstanding awards. Please see "Our 2010 Executive Compensation Program — Annual Incentive Plan".
- (4) See table called "Present Value of Accumulated Pension Benefits" for details.
- (5) See table called "All Other Compensation" for details.
- (6) Mr. Kennedy does not receive compensation in his capacity as a director.
- (7) Mr. Charriere retired from his position on June 28, 2010. All other compensation includes a retirement allowance of \$175,000.
- (8) Mr. King was appointed Chief Financial Officer on June 28, 2010. Prior to his appointment to CFO, he held the position of Vice President, Finance.
- (9) Mr. Gilpin commenced his employment with North West in March, 2010.

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### **All Other Compensation**

The following table shows the breakdown of “All Other Compensation” in the Summary Compensation Table for 2008 to 2010. These amounts reflect the aggregate incremental costs to North West.

<b>Name</b>	<b>Year</b>	<b>Flexible Benefits (\$)</b>	<b>Interest Subsidy/ Commission on UPLP Loan (\$)</b>	<b>Life Insurance Premium (\$)</b>	<b>Executive Medical/Health (\$)</b>	<b>Total All Other Compensation (\$)</b>
Edward Kennedy	2010	66,683	27,903	3,221	100	97,907
	2009	64,935	38,771	2,416	—	106,122
	2008	62,654	108,864	2,175	—	173,693
Léo Charrière <sup>(1)</sup>	2010	35,740	2,777	886	1,450	40,853
	2009	33,811	14,774	1,294	—	49,879
	2008	32,870	43,329	1,291	—	77,490
John King	2010	20,100	894	807	—	21,803
	2009	16,131	4,224	550	1,312	22,238
	2008	14,578	12,493	531	—	27,754
Craig Gilpin	2010	26,604	—	1,238	—	29,842
	2009	—	—	—	—	—
	2008	—	—	—	—	—
Michael McMullen	2010	27,384	7,185	1,218	—	35,788
	2009	26,652	14,202	1,027	—	41,881
	2008	25,914	41,775	880	—	68,569
Scott McKay	2010	—	1,484	1,160	—	2,644
	2009	—	7,897	810	1,112	9,819
	2008	—	23,203	811	—	24,013

Notes:

(1) Mr. Charriere also was paid \$175,000 as a retirement allowance in 2010.

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## Outstanding Equity Based Awards

The following are the total unexercised option and share awards granted to our named executives as of January 31, 2011.

Name	Share-based Awards		Option-based Awards			
	# of Shares that have not vested (rounded to nearest share) <sup>(1)</sup>	Market or payout value of share-based awards that have not vested (\$) <sup>(2)</sup>	# of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(3)</sup>
Edward Kennedy	144,066	607,674	140,600 106,700	15.25 19.11	June 26, 2019 April 16, 2020	1,032,370
Léo Charrière	7,954	33,559	22,400 17,000	15.25 19.11	June 26, 2019 April 16, 2020	164,476
John King	11,217	47,319	8,200 6,300 5,000	15.25 19.11 19.74	June 26, 2019 April 16, 2020 June 28, 2020	67,112
Craig Gilpin	12,720	53,647	21,800	19.11	April 16, 2020	43,164
Michael McMullen	18,063	76,195	17,600 13,400	15.25 19.11	June 26, 2019 April 16, 2020	129,316
Scott McKay	11,613	39,186	9,100 6,900	15.25 19.11	June 26, 2019 April 16, 2020	66,806

Notes:

- (1) Includes both RSU's and PSU's that have not vested as at January 31, 2011. Also includes the payment of notional dividends as if they were Shares, which are automatically credited to the RSU and PSU balance at the time the dividends are paid on Shares. Holders of RSU's and PSU's are entitled to receive this dividend entitlement when the RSU's and PSU's vest.
- (2) The market value of share-based awards that have not vested is calculated by multiplying the number of RSU's granted to the NEO by the January 31, 2011 common share closing price of \$21.09. The final amounts in the table include dividends earned up to January 31, 2011 on granted RSUs. No assumption is made for future dividends. PSU grants are subject to performance conditions and are valued at the minimum possible payout of zero on this table.
- (3) The market value of unexercised in-the-money options is calculated based on the difference between \$21.09, the closing price of a common share on January 31, 2011, and the exercise price of the option.

## Incentive Plan Awards

The table below shows the incentive awards that were vested or earned by each NEO during the fiscal year ended January 31, 2011.

Name	Option-Based Awards/Value Vested During the Year (\$)	Share-Based-Awards/Value Vested During the Year (\$) <sup>(2)</sup>	Non-Equity incentive plan Compensation/Value earned during the Year (\$)
Edward Kennedy	—	1,980,107	—
Léo Charrière	—	261,624	—
John King	—	116,030	—
Craig Gilpin <sup>(1)</sup>	—	—	201,000
Michael McMullen	—	214,667	117,780
Scott McKay	—	99,907	234,225

Notes:

- (1) Under the terms of Mr. Gilpin's offer of employment, Mr. Gilpin received an incentive payment of \$201,000, which has to be repaid if he leaves his employment prior to March, 2013.
- (2) Based on a Share price of \$21.18, which is the volume weighted average trading price of the Shares for the the five trading days immediately preceding the vesting date.



### Annual Incentive Award

The annual cash incentive award (“STIP”) paid to each NEO, in 2010 expressed as a percentage of base salary, for each business performance measure are shown in the table below:

Name	NWC Consolidated EBIT (% of target)	Giant Tiger EBIT	NCR EBIT	2010 Actual STI Award (% base salary)	2010 Target STI Award (% base salary)	2010 Actual STI as % of Target	2010 Actual STI (\$)
Edward Kennedy	0	—	—	0	80	0	0
Léo Charrière	0	—	—	0	60	0	0
John King	0	—	—	0	60	0	0
Craig Gilpin <sup>(1)</sup>	0	—	—	60	60	100	201,000
Michael McMullen	0	—	42.7	42.7	60	71	117,780
Scott McKay	0	135	—	135	100	90	234,225

Notes:

- (1) Under the terms of Mr. Gilpin’s employment contract, Mr. Gilpin received an incentive payment of \$201,000, which has to be repaid if he leaves his employment prior to March, 2013.

See “Our 2010 Executive Compensation Program — Annual Incentive Plan” for further details.

### **Present Value of Accumulated Pension Benefits**

The following is a summary of North West’s present value of accumulated pension benefits for each of its NEO’s. Please refer to “Other Elements of 2010 Compensation” for information regarding the terms and conditions of payments and benefits under the plan, including the formula for determining benefits.

Name	# of Years of credited service	Annual benefits payable at year end (\$)	Annual benefits payable at age 65 (\$)	Accrued obligation at start of year (\$)	Compensatory Change (\$)	Non-Compensatory Change (\$)	Accrued Obligation at year end (\$)
Edward Kennedy . . . .	16.17	321,300	589,400	3,426,900	– 833,500	371,600	2,965,000
Léo Charrière . . . . .	7.17	68,300	68,300	785,800	– 120,900	73,000	737,900
John King . . . . .	4.58	18,200	99,300	139,000	24,600	20,500	184,100
Craig Gilpin . . . . .	.83	8,300	192,100	—	83,800	—	83,300
Michael McMullen . . .	3.92	27,300	86,300	274,500	– 15,900	29,900	288,500
Scott McKay . . . . .	6.25	35,900	137,000	260,200	163,300	34,100	457,600

### **Termination and Change of Control Benefits**

Mr. Edward Kennedy has a formal employment agreement in place which provides for termination and change of control benefits. Mr. Craig Gilpin’s offer of employment also contains specific provisions relating to termination and change of control benefits. The specific terms relating to termination and change of control benefits included in the employment agreement with Mr. Kennedy and in the offer of employment with Mr. Gilpin are set out below. The terms and conditions of the remaining NEO’s for termination and change of control benefits are governed by North West’s compensation policies and practices that generally apply to all executive officers, and by the specific provisions contained in the plan documents for the RSU/PSU plan and in the Original Option Plan.

The following table summarizes the payments that would be received by each NEO in each circumstance where the executive ceases to be employed by North West. The amounts calculated are based on positions and compensation as at January 31, 2011. Amounts received for any RSU, PSU and option awards are based on a January 31, 2011 closing price of \$21.09.

The actual amount that each NEO could receive in the future as a result of termination of employment or change of control could differ materially from the amounts set forth as a result of a variety of factors, such as changes in Share price or base salary, timing of the termination or change in control, and the vesting and granting of additional Share awards. The following table also does not include any potential common law entitlements arising in the event of termination or change of control.

	For Cause (\$)	Without Cause (\$)	Change in Control (\$) <sup>(7)</sup>	Retirement (\$) <sup>(2)</sup>	Death or Disability (\$)	Resignation (\$)
<b>Edward Kennedy<sup>(1)</sup></b>						
Base/Bonus/Perquisite . . . . .	—	2,979,430	2,979,430	—	—	—
Accelerated RSU/PSU Vesting . . . . .	—	3,083,352	3,083,352	3,083,352	3,083,352	—
Accelerated Option Vesting . . . . .	—	1,032,370	1,032,370	1,032,370	1,032,370	—
Benefits . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>—</b>	<b><u>7,095,152</u></b>	<b><u>7,095,152</u></b>	<b><u>4,115,722</u></b>	<b><u>4,115,722</u></b>	<b>—</b>
<b>John King</b>						
Base/Bonus/Perquisite <sup>(3)</sup> . . . . .	—	387,750	433,469	—	—	—
Accelerated RSU/PSU Vesting <sup>(4)</sup> . . . . .	—	47,319	236,576	236,576	236,576	—
Accelerated Option Vesting <sup>(5)</sup> . . . . .	—	—	67,112	67,112	—	—
Benefits . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>—</b>	<b><u>435,069</u></b>	<b><u>737,157</u></b>	<b><u>303,688</u></b>	<b><u>236,576</u></b>	<b>—</b>
<b>Craig Gilpin</b>						
Base/Bonus/Perquisite <sup>(6)</sup> . . . . .	—	552,750	804,000	—	—	—
Accelerated RSU/PSU Vesting <sup>(4)</sup> . . . . .	—	53,647	268,265	268,265	268,265	—
Accelerated Option Vesting <sup>(5)</sup> . . . . .	—	—	43,164	43,164	—	—
Benefits . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>—</b>	<b><u>606,397</u></b>	<b><u>1,115,429</u></b>	<b><u>311,429</u></b>	<b><u>268,265</u></b>	<b>—</b>
<b>Michael McMullen</b>						
Base/Bonus/Perquisite <sup>(3)</sup> . . . . .	—	303,600	387,855	—	—	—
Accelerated RSU/PSU Vesting <sup>(4)</sup> . . . . .	—	76,195	380,940	380,940	380,940	—
Accelerated Option Vesting <sup>(5)</sup> . . . . .	—	—	129,316	129,316	—	—
Benefits . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>—</b>	<b><u>379,795</u></b>	<b><u>898,111</u></b>	<b><u>510,256</u></b>	<b><u>380,940</u></b>	<b>—</b>
<b>Scott McKay</b>						
Base/Bonus/Perquisite <sup>(3)</sup> . . . . .	—	243,845	504,075	—	—	—
Accelerated RSU/PSU Vesting <sup>(4)</sup> . . . . .	—	39,186	244,918	244,918	244,918	—
Accelerated Option Vesting <sup>(5)</sup> . . . . .	—	—	66,806	66,806	—	—
Benefits . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>—</b>	<b><u>283,031</u></b>	<b><u>815,799</u></b>	<b><u>311,724</u></b>	<b><u>244,918</u></b>	<b>—</b>

Notes:

- (1) The amounts for Mr. Kennedy for termination without cause reflect his entitlement if he is terminated prior to July 29, 2014. Details of his entitlement in the event the termination takes place after July 29, 2014 are included in the summary of Mr. Kennedy's employment agreement as set out in this Circular. The amounts for Mr. Kennedy's retirement reflect his entitlement after he reaches 55 years of age. Details of his entitlement in the event of retirement prior to age 55 are included in the summary of Mr. Kennedy's employment agreement as set out in this Circular.
- (2) The amounts for all NEO's (other than Mr. Kennedy) for retirement assume the NEO retires on or after the age of 55, and that they have been approved as a "Qualified Retirement" by the Board pursuant to the terms of these incentive plans.

- (3) This amount reflects the amounts payable under North West's general policy regarding termination and change of control benefits for its executives. Under this policy, executives are entitled to 1 times base salary plus perquisite allowance for up to 5 years of service, and 1.5 times base salary and perquisite thereafter for termination without cause. For change of control, executives are entitled to 1 times base salary plus the average of the last 3 years of STIP for up to 5 years of service, and 1.5 times base salary plus the average of the last 3 years of STIP thereafter.
- (4) This amount reflects the amounts payable under the plan documents for North West's RSU/PSU plan. The value of the RSU's and PSU's is calculated by multiplying the number of qualified Share units by the January 31, 2011 closing Share price of \$21.09. With respect to death or disability, for the NEO's other than Mr. Kennedy, the assumption has been used that all NEO's will either die or incur their disability at the end of the fiscal year, so these amounts are not prorated.
- (5) This amount reflects the amounts payable under the Original Option Plan, and assumes the Board exercised its discretion pursuant to that plan and authorized vesting of all options upon the Change of Control. With respect to the amounts payable upon Retirement, the amounts payable assume that all NEO's were approved for "Qualified Retirement" under the Original Option Plan. The value of the options is calculated by multiplying the number of qualified options by the January 31, 2011 closing Share price of \$21.09, and subtracting from that amount the number of qualified options multiplied by the exercise price of each option.
- (6) The amounts for Mr. Gilpin's termination without cause assume he is terminated within the first 5 years of his employment. Details of his entitlement after 5 years are included in the summary of Mr. Gilpin's employment agreement as set out in this Circular.
- (7) Change of Control (for all NEO's other than Mr. Kennedy and Mr. Gilpin) is defined in NEO's general policy regarding termination and change of control benefits as occurring if one or both of the following events occur: a) the majority of all assets of North West are sold; and/or b) a third party acquires more than 50% of North West's voting Shares. In addition to the above criteria, the NEO must be terminated following the Change in Control other than for cause, death, retirement, permanent disability, or if the NEO resigns for "Good Reason", which includes unilateral reductions in cash compensation or benefits, forced geographical locations, reductions in levels of responsibility or title/function, or changes to North West's corporate structure that negatively affects the NEO's position in the corporate hierarchy. The NEO must exercise his right to terminate his employment within 12 months following the actual Change in Control event.

## **Employment Agreements/Offers of Employment**

### **President and Chief Executive Officer Employment Agreement**

Mr. Kennedy, who is 51 years of age, has been the President and Chief Executive Officer of North West for the past 15 years, and an executive of North West for the past 22 years. During his tenure as President and Chief Executive Officer, North West has consistently delivered total returns to Shareholders which have significantly exceeded the performance of the TSX Composite index and various retail groups. See PART IV — EXECUTIVE COMPENSATION — Performance Graph.

In recognition of Mr. Kennedy's 22 year tenure with North West, combined with his significant contributions to North West's performance, and in order to encourage the continued leadership of North West until he reaches his normal retirement age, North West entered into an employment agreement with Mr. Kennedy effective February 1, 2011. The key terms of the agreement relating to termination and change of control are as follows:

#### **Special Grant of Restricted Units ("Special RSU's")**

Effective February 1, 2011, Mr. Kennedy was granted \$120,000 as a special grant of restricted share units, which vest one third on January 31, 2012; one third on January 31, 2013; and one third on January 31, 2014.

#### **UPLP Loan<sup>(1)</sup>**

North West will loan Mr. Kennedy the sum of \$107,450 without interest, to reimburse Mr. Kennedy for the net cost incurred by Mr. Kennedy for terminating his participation in North West's former UPLP program, which terminated effective December 31, 2011. This loan is repayable upon the termination of Mr. Kennedy's employment with North West.

- (1) North West's policy is not to grant loans to executives, however this UPLP loan is intended to reimburse Mr. Kennedy for the actual loss he incurred as a result of the requirement to sell the Shares he owned pursuant to the UPLP program in order to repay the loan that had been extended to Mr. Kennedy for the purpose of purchasing Shares through the open market under this program. See Part IV — EXECUTIVE COMPENSATION — North West's 2010 Executive Compensation Program — Unit Purchase Loan Plan.

#### **Termination For Cause**

North West may immediately terminate Mr. Kennedy's employment contract for cause. In the event of termination for cause, North West is obligated to

pay base salary and expenses owing at the termination date. Mr. Kennedy is entitled to any vested RSU's PSU's and options, and all vested and unvested Special RSU's. Any unvested RSU's, PSU's and Share options are forfeited with no further value.

**Termination Without Cause prior to July 29, 2014; Resignation for "Good Reason" as defined in the Employment Agreement; or "Change in Control"**

Mr. Kennedy is entitled to the equivalent of 2.5 times the annual average of his base salary, perquisite allowance and STIP paid to Mr. Kennedy in the three years in which Mr. Kennedy was paid the greatest base salary, perquisite allowance and STIP. In addition, all RSU's and PSU's (including all Special RSU's) granted to Mr. Kennedy shall be deemed to be earned and shall vest at the time of termination. Mr. Kennedy is also entitled to any unvested options, and North West shall pay Mr. Kennedy an amount equal to the Share value of all unvested options as of the date the "termination" occurs. For any vested options, the expiry of these options accelerate to the earlier of 90 days after termination or until all vested options expire in accordance with the option plan. (collectively, the "**Termination Payment**").

**Change in Control Definition**

Change in Control occurs if: a) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions occurs where existing Shareholders then hold less than 50% of the voting Shares; b) the sale, lease, exchange or other disposition of assets, rights, or properties of North West which have an aggregate book value of greater than 60% of the book value of North West on a consolidated basis; c) a resolution to windup, dissolve or liquidate North West; d) any person or entity, acting jointly or in concert, acquires control or direction over the voting Shares, which, when added to the voting shares over which the acquirer exercises control or direction over, would entitle the acquirer to cast a vote of 50% or more of the votes attached to all of the voting securities; e) as a result of or in connection with the contested election of directors of North West, the nominees named in the most recent management information circular shall not constitute a majority of directors of North West immediately prior to such an event; f) any person or entity acting jointly or in concert with each other, acquired beneficial ownership acquires ownership by way of takeover bid provisions of more than 50% of the voting Shares; or g) the Board adopts a resolution to the effect that a change of control as defined in this paragraph has occurred or is imminent.

Mr. Kennedy must exercise his right to termination of employment within 12 months after the Change in Control event occurred, provided that his employment agreement has not otherwise been terminated.

**Termination Without Cause after July 29, 2014**

Mr. Kennedy is entitled to the Termination Payment as defined above until he reaches the age of 58. Upon reaching the age of 58, Mr. Kennedy will be entitled to  $\frac{2}{3}$  of the Termination Payment. Upon reaching the age of 59, Mr. Kennedy will be entitled to receive  $\frac{1}{3}$  of the Termination Payment. Upon and after reaching the age of 60, Mr. Kennedy is no longer entitled to receive the Termination Payment, but shall be entitled to 1 times his Base Salary. Upon reaching the age of 60, he shall also be entitled to all vested and unvested RSU's, PSU's and options, and all unvested RSU's, PSU's and options shall vest in accordance with their respective plans. In the event Mr. Kennedy engages in a competitive activity as defined in his contract for a period of 2 years following his termination after age 60, all unvested RSU's, PSU's and options existing at that time shall be forfeited with no further value.

**Resignation prior to July 29, 2014**

Mr. Kennedy is required to provide 3 months notice, and upon the expiry of such notice, any unvested RSU's, Special RSU's, PSU's and Share options

are forfeited with no further value. Mr. Kennedy is entitled to the benefit of any vested RSU's, Special RSU's, PSU's and Share options. However, the expiry dates of any vested options accelerate to the earlier of 90 days after termination or until all vested options expire in accordance with the option plan.

**Resignation after  
July 29, 2014**

Mr. Kennedy is required to provide 6 months notice, and upon the expiry of such notice, Mr. Kennedy will enter into a 12 month consulting agreement with North West, and shall be entitled to his base salary for this twelve month period. He shall also be entitled to all vested and unvested RSU's, PSU's and options, and all unvested RSU's, PSU's and options shall vest in accordance with their respective plans. In the event Mr. Kennedy engages in a competitive activity as defined in his contract for a period of 2 years following his resignation, all unvested RSU's, PSU's and options existing at that time shall be forfeited with no further value.

**Death or Disability**

All RSU's, Special RSU's and PSU's granted to Mr. Kennedy shall be deemed to be earned and shall vest at the time of death or disability. Mr. Kennedy is also entitled to any unvested options, and North West shall pay Mr. Kennedy an amount equal to the Share value of all unvested options as of the date the death or disability occurs. For any vested options, the expiry of these options accelerate ending on the earlier of: (a) the expiry time of such vested option set forth in the option agreement; and (b) the date that is one (1) year from the date of the grant of probate of the will or letters of administration of the estate of the deceased.

**Retirement Before  
July 29, 2014**

Any unvested RSU's, Special RSU's, PSU's and Share options are forfeited with no further value. Mr. Kennedy is entitled to the benefit of any vested RSU's, Special RSU's, PSU's and Share options, however, the expiry of any vested options accelerate to the earlier of 90 days after termination or until all vested options expire in accordance with the option plan.

**Retirement After  
July 29, 2014**

Mr. Kennedy shall be entitled to all vested and unvested RSU's, PSU's and options, and all unvested RSU's, PSU's and options shall vest in accordance with their respective plans. In the event Mr. Kennedy engages in a competitive activity as defined in his contract for a period of 2 years following his retirement, all unvested RSU's, PSU's and options existing at that time shall be forfeited with no further value.

**Non-Competition/Non-Solicit**

For a period of 2 years following the termination of his employment with North West however caused, Mr. Kennedy shall not as an individual or in any other capacity, either directly or indirectly, own, operate, carry on or be engaged in or be concerned with or interested in or connected with or advise, lend money to, guarantee the debts or obligations of, or permit his name or any part thereof to be used in or employed by any party engaged in any business or activity in any province or state in which North West carries on business whose business or activities compete directly with a material retail business or activity of North West. In addition, for the same 2 year period, Mr. Kennedy shall not influence any supplier of North West to withdraw, cancel, or curtail business with North West; nor attempt to induce any employee, officer, or consultant of North West to terminate his employment or relationship with North West, or attempt to offer such person employment with or engagement by any other party other than North West.

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## **Executive Vice President and Chief Corporate Officer Offer of Employment**

Mr. Craig Gilpin's offer of employment contains provisions relating to termination and change of control as follows:

<b>Termination For Cause</b>	North West may immediately terminate Mr. Gilpin's employment contract for cause. In the event of termination for cause, North West is obligated to pay base salary and expenses owing at the termination date. All vested and unvested options, and any vested and unvested RSU's and PSU's are forfeited with no further value.
<b>Termination Without Cause</b>	For service less than 5 years with North West, Mr. Gilpin is entitled to a payment equal to 1.5 times base salary plus his perquisite allowance. This increases to 2 times his base salary and perquisite allowance for service of 5 years or greater. In addition for any length of service, if Mr. Gilpin has worked six months or more during the year of his termination, he is also entitled to his STIP payment on a prorata basis, determined by averaging STIP payout percentage for the preceding three years. In addition, Mr. Gilpin is entitled to any vested and unvested, RSU's, PSU's and options as set out in the respective incentive plan documents.
<b>Change in Control</b>	For service less than 5 years with North West, Mr. Gilpin is entitled to a payment equal to 1.5 times base salary and the average STIP payment paid to Mr. Gilpin for the 3 years prior to the change in control. This increases to 2 times for service of 5 years or greater. In addition, Mr. Gilpin is entitled to any unvested and vested RSU's, PSU's and options as set out in the respective incentive plan documents.
<b>Change in Control Definition</b>	In order to receive severance payments for base salary and STIP as set out above, Change of Control is defined if one or both of the following events occur: a) the majority of all assets of North West are sold; and/or b) a third party acquires more than 50% of North West's voting Shares. In addition to the above criteria, Mr. Gilpin must be terminated following the Change in Control other than for cause, death, retirement, permanent disability, or if Mr. Gilpin resigns for "Good Reason", which includes unilateral reductions in cash compensation or benefits, forced geographical locations, reductions in levels of responsibility or title/function, or changes to North West's corporate structure that negatively effects Mr. Gilpin's position in the corporate hierarchy. Mr. Gilpin must exercise his right to terminate his employment within 12 months following the actual Change in Control event.

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## **Share Ownership Guidelines**

In 2008, minimum ownership guidelines were established outlining the minimum levels of Share ownership for executives who are members of management's executive committee. These guidelines are designed to align the interests of those executives with the interests of Shareholders, demonstrate financial commitment to North West through personal Share ownership, and to promote North West's long term commitment to sound corporate governance.

Any Shares purchased through the open market, and up to 50% of after-tax RSUs are included in the number of Shares reported for each executive. PSUs are only included on vesting if converted into Shares. Options are not included.

Once an executive achieves the guidelines, if the Share price declines and the market value of the Shares held drops below the minimum, as long as the executive holds the minimum number of Shares (at peak price) going forward, the executive is considered to be in compliance with the guidelines.



Executives are expected to maintain ownership levels that meet or exceed the guidelines within five years of being appointed to the position. If the guidelines have not been met, the executive is required to retain any Shares acquired through the exercise of options, less the portion required to be sold to cover the tax cost associated with the option exercise. The executive is also required to convert any vested RSUs or PSU's to Shares until such time as the guidelines have been met.

The table below shows the market value of Shares held by each of the NEOs as of January 31, 2011, based on the closing price of North West on the TSX on January 31, 2011 and the actual ownership as a multiple of their respective base salary.

Name	Market Value of Shares (\$) <sup>(1)</sup>	Net Ownership as a multiple of base salary	Minimum Ownership as multiple of salary
Edward Kennedy . . . . .	5,661,421	8.49	3.0
John King . . . . .	1,028,363	4.46	2.0
Craig Gilpin . . . . .	17,245	0.05	2.0
Michael McMullen . . . . .	1,477,939	5.30	2.0
Scott McKay . . . . .	184,630	1.07	1.0

Notes:

(1) Includes any Shares purchased through the open market, and up to 50% of the after-tax RSUs; all multiplied by the January 31, 2011 closing price of \$21.09.

### Summary of Securities Remaining for Future Issuance Under Equity Compensation Plans

The total number of underlying Shares issuable to any participant pursuant to the Original Share Option Plan and the Director Deferred Share Unit Plan, and all other equity compensation plans of North West will not exceed 5% of the issued and outstanding Shares at the date of the grant of the option. Grants under the Deferred Share Unit Plan cannot exceed 1% of the issued and outstanding Shares as at the date of the grant. The following chart outlines the number of Shares to be issued upon exercise of the deferred share units under the Director Deferred Unit Plan and options under the Original Share Option Plan.

	Number of Underlying Shares reserved for issuance upon exercise of all Director Deferred Share Units or Options
North West Deferred Share Unit Plan	129,428
Original Share Option Plan	509,200
Total Shares Issued and Outstanding as at January 31, 2011	48,378,000
% of Shares reserved under equity compensation plans as a % of Total Shares issued and outstanding as at January 31, 2011	1.32%

### Indebtedness of Directors and Executives

None of the directors or executives of North West or its affiliated entities, nor any associate or affiliate of any of them, is or was indebted, directly or indirectly, to North West or any of its affiliated entities at any time since February 1, 2010, the beginning of the most recently completed financial year, other than as set out below.

As a term of Mr. Edward Kennedy's employment agreement entered into effective February 1, 2011, North West agreed to loan Mr. Kennedy the sum of \$107,450 without interest, in order to reimburse Mr. Kennedy for the net cost incurred by Mr. Kennedy for terminating his participation in North West's former UPLP program that was terminated effective December 31, 2010 (see "PART IV — EXECUTIVE COMPENSATION — North West's 2010 Executive Compensation Program — Unit Purchase Loan Plan"). This loan is repayable upon the termination of Mr. Kennedy's employment with North West (see "PART IV — EXECUTIVE COMPENSATION — Termination and Change of Control Benefits — Employment Agreements/Offer of Employment").

## **Director and Officer Liability Insurance**

North West maintains a director and officer liability insurance policy. The policy covers costs to defend and settle claims against North West's directors and officers to an annual limit of \$25 million, with an additional \$10 million coverage in Side A DIC coverage. The policy includes a \$100,000 deductible for an indemnifiable occurrence with no deductible for a non-indemnifiable occurrence. The cost of coverage for the period June 1, 2010 to June 1, 2011 was approximately \$151,750. Directors and officers do not pay premiums, and no indemnity claims were made or paid in 2010.

## **Interest of Informed Persons in Material Transactions**

Except as disclosed in this Circular, no informed person (within the meaning of applicable securities laws) of North West and no proposed nominee for election as a Trustee, or any of their respective associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the beginning of the most recently completed financial year or in any proposed transaction which has materially affected or would materially affect North West or any of its affiliated entities.

## **PART V — GOVERNANCE DISCLOSURE**

The Board is committed to fulfilling its mandate to supervise the management of the business and affairs of North West with the highest standards of ethical conduct and in the best interests of the Shareholders of North West. The Board of Directors has, in light of governance requirements and best practice standards in Canada, implemented a sophisticated set of governance systems and materials. In addition to the governance practices set out in National Policy 58-201 — *Corporate Governance Guidelines and National Instrument* and 58-101 — *Disclosure of Corporate Governance Practices*, North West is subject to rules of the Canadian Securities Administrators regarding both audit committees and the certification of certain annual and interim filings. In this regard, the Board has prepared and approved the disclosure of North West's governance practices set forth in Appendix "C" to this Circular.

## **PART VI — ADDITIONAL INFORMATION**

Current financial information for North West is provided in North West's comparative financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to North West can be found under North West's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on North West's website at [www.northwest.ca](http://www.northwest.ca).

Copies of North West's Annual Information Form, annual report (including management's discussion and analysis), financial statements, and this Circular may be obtained upon request to the Corporate Secretary of North West. North West may require the payment of a reasonable charge if the request is made by a person who is not a Shareholder of North West.

## **PART VII — DIRECTORS' APPROVAL**

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

**DATED** at Winnipeg, Manitoba, on May 6, 2011.

*"Paulina Hiebert"*

Paulina Hiebert  
Vice-President, Legal and Corporate Secretary  
The North West Company Inc.

**APPENDIX “A”**

**AMENDED AND RESTATED OPTION PLAN RESOLUTION**

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. The common share option plan (the “**Amended and Restated Option Plan**”) of The North West Company Inc. (“**North West**”), in a form substantially as set forth in Appendix “B” to the management information circular of North West dated May 6, 2011 (the “Circular”) be and is hereby authorized and approved with such amendments as may be approved by the Board of Directors of North West; and
2. Any director or officer of North West is hereby authorized, for and on behalf of North West to execute and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of the director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

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## APPENDIX “B”

### THE NORTH WEST COMPANY INC.

#### FIRST AMENDED AND RESTATED SHARE OPTION PLAN

##### Section 1. INTERPRETATION AND ADMINISTRATIVE PROVISIONS

###### 1.1 Purpose

This document constitutes the First Amended and Restated Share Option Plan of The North West Company Inc. (hereinafter referred to as the “**Plan**”), effective as of June 14, 2011 (the “**Effective Date**”).

The purpose of the Plan is to promote long-term Shareholder value creation by:

- (a) Fostering greater alignment of interests between participating executives of The North West Company Inc. (the “**Company**”) and other Participating Companies, and Shareholders of the Company, by providing a long-term incentive vehicle that allows them to accumulate a meaningful financial interest in the Company, commensurate with the responsibility, time horizon of the role, commitment and risk associated with their role;
- (b) Supporting a compensation plan that is competitive and rewards long-term success of the Company as measured in total Shareholder returns, and by providing a balance between equity growth and sustainable above average dividend payments; and
- (c) Assisting the Company and other Participating Companies in attracting, retaining, and motivating qualified individuals with the experience and ability to deliver strong results and support their business strategy.

The Plan shall not give any Participant the right to be employed by the Company or any Participating Company nor to continue to be employed by the Company or any Participating Company.

It is intended that the Plan will be operated in compliance with Section 409A of the Code (as defined herein) with respect to Participants who are subject to the Code. All Plan provisions will be interpreted and implemented to that end.

This Plan replaces the Share Option Plan of the Company dated January 1, 2011 (“**Original Option Plan**”), which Original Option Plan replaced the unit option plan of North West Company Fund (the Company’s predecessor) with an effective date of June 11, 2009 (the “**Fund Option Plan**”); provided that, notwithstanding anything to the contrary herein, any options granted prior to the Effective Date (whether under the Original Option Plan or the Fund Option Plan which were exchanged on a one-for-one basis for options pursuant to the Original Option Plan) shall continue to be governed by the terms and conditions of the Original Option Plan and the terms and conditions of their grant, with no change to the applicable exercise price or vesting and expiry schedules.

###### 1.2 Definitions and Interpretations

For the purposes of the Plan, the following terms have the following meanings:

“**1934 Act**” means the *United States Securities and Exchange Act of 1934*;

“**Administrators**” refers to the Board or any committee of the Board responsible for the administration of the Plan as designated by the Board and the Committee shall, unless otherwise changed by the Board, be the “Administrators”;

“**Affiliate**” means, with respect to a person or entity (the “first person”), a person or entity that: (i) is controlled by the first person; or (ii) is under common control with the first person;

“**Associate**” has the meaning ascribed to such term in subsection 1(1) of *The Securities Act* (Manitoba);

“**Blackout Period**” has the meaning ascribed thereto in Section 2.6;

“**Board**” means the Board of Directors of the Company;

“**Business Day**” shall have the meaning ascribed thereto in Section 2.6;

“**CEO**” means the Chief Executive Officer of The North West Company Inc.;

“**Change in Control**” means the occurrence of any one or more of the following events:

- (a) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or entity; as a result of which the Shareholders immediately prior to the completion of the transaction hold less than 50% of the Voting Securities of the Company or the successor entity, as the case may be after completion of the transaction;
- (b) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights, properties of the Company and/or any of its Affiliates which have an aggregate book value of greater than 60% of the book value of the Company and its Affiliates on a consolidated basis to any other person or entity, other than a disposition to an Affiliate of the Company in the course of an internal reorganization of the Company and its Affiliates or the assets thereof;
- (c) a resolution adopted to wind-up, dissolve or liquidate the Company (or any successor to the Company, if applicable), other than in the course of an internal reorganization of the Company and its Affiliates, or the assets thereof;
- (d) any person, entity or group of persons or entities acting jointly or in concert (an “**Acquiror**”) acquiring control or direction over (including without limitation the right to vote or direct the voting) of, Voting Securities of the Company (or any successor to the Company, if applicable) which, when added to the Voting Securities over which the Acquiror exercises control or direction over (or otherwise has the right to vote), would entitle the Acquiror and/or the Associates and/or Affiliates of the Acquiror to cast or to direct the casting of 50% or more of the votes attached to all of the outstanding Voting Securities of the Company (or of the successor entity to the Company, if applicable) which may be cast to elect directors of the Company, or the directors, as applicable, of any successor to the Company) (regardless of whether a meeting has been called to elect directors of the Company or directors of the successor entity, if applicable),
- (e) as a result of or in connection with (i) a contested election of directors of the Company (or directors of a successor entity to the Company, if applicable); (ii) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another entity, the nominees named in the most recent management information circular of the Company for election as directors of the Company (or directors of a successor entity to the Company) shall not constitute a majority of the directors of the Company immediately prior to such event;
- (f) any person or entity or group of persons or entities acting jointly or in concert with each other as contemplated by Section 13(d)(3) of the 1934 Act or by applicable Canadian securities laws, acquires beneficial ownership, as determined by Rules 13 d-3 and 13 d-5 under the 1934 Act (or by the take-over bid provisions of applicable Canadian securities laws), of more than 50% of the Voting Securities of the Company (or of the successor entity of the Company, if applicable) (based upon voting power); or
- (g) the Board adopts a resolution to the effect that a Change in Control as defined herein has occurred or is imminent;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**Committee**” means the Human Resources, Compensation and Pension Committee of the Board or such other Committee of the Board as may be so mandated by the Board;

“**Company**” means The North West Company Inc. and includes any successor thereof;

“**Effective Date**” has the meaning ascribed thereto in Section 1.1;

“**Exercise Price**” means the price per Share at which Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Section 5 hereof;

“**Fair Market Value**” at any date means the volume-weighted average closing price of the Shares on the TSX for the five trading days immediately preceding such date. If the five-day averaging period described above for determining Fair Market Value is not required under Canadian law or by the TSX, then the Fair Market Value for purposes of Options subject to the Code shall be determined as follows: (a) by utilizing the five-day averaging period previously described, but only in situations in which the size of the Option and the Optionee are designated in advance of the five-day averaging period; or (b) by utilizing the last sale before or the first sale after the grant, the closing price on the trading day before the Grant Date or on the Grant Date, the arithmetic mean of the high and low prices on the trading day before the Grant Date or on the Grant Date, or any other reasonable method using actual transactions in the Shares as reported on an established market. In the event that such Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Administrators in their sole discretion;

“**Fund Option Plan**” has the meaning ascribed thereto in Section 1.1;

“**Grant Date**” the date upon which an Option was granted;

“**Grant Price**” has the meaning ascribed thereto in Section 2.3(a)(i);

“**Insider**” has the meaning ascribed to “reporting insider” in National Instrument 55-104 — *Insider Reporting Requirements and Exemptions*, and also includes Associates and Affiliates of the Insider;

“**Option**” means an option to purchase Shares granted to a Participant under the Plan, which shall consist of a Standard Option and, in the case of an Optionee who is not subject to income taxes in the United States, a Partially Declining Exercise Price Option as set out in Section 2.3;

“**Option Agreement**” has the meaning ascribed thereto in Section 2.3;

“**Option Value**” has the meaning ascribed thereto in Section 4.2;

“**Optionee**” means a Participant to whom an Option has been granted and who continues to hold such Option;

“**Original Option Plan**” has the meaning ascribed thereto in Section 1.1;

“**Partially Declining Exercise Price Option**” has the meaning ascribed thereto in Section 2.3(a)(ii);

“**Participant**” means each employee of a Participating Company approved for participation in this Plan. The CEO will recommend such employees for participation in the Plan, and the Administrators will consider such recommendation and grant final approval as deemed appropriate;

“**Participating Company**” means the Company and such of the Company’s Affiliated entities as are designated by the Board from time to time;

“**Plan**” means this First Amended and Restated Share Option Plan for The North West Company Inc., as the same may be further amended, varied and/or restated from time to time;

“**Proposed Transaction**” has the meaning ascribed thereto in Section 6.2(a);

“**Qualified Retirement**” means, in respect of a Participant, the retirement of the Participant which the Administrators have approved as a Qualified Retirement for the purposes of this Plan in their sole discretion following the Participant’s 55<sup>th</sup> birthday, which approval may, at the discretion of the Administrators, require, among other things, the Participant to execute certain restrictive covenants including, but not limited to, a non-compete agreement in a form and substance acceptable to the Administrators;

“**Shareholders**” means the holder of Shares from time to time;

“**Shares**” means the common shares in the capital of the Company or, in the event of an adjustment contemplated in Section 5 hereof, such other Shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

“**Standard Option**” has the meaning ascribed thereto in Section 2.3(a)(i);

“**TSX**” means the Toronto Stock Exchange or such other stock exchange upon which the Shares may be listed for trading from time to time;



“**Underlying Shares**” means the Shares issuable pursuant to an exercise of Options; and

“**Voting Securities**” means, in respect of an issuer, the securities of the issuer that entitle the holder thereof to vote for the election of the directors, as applicable, of such issuer and shall be deemed to include any securities which are convertible into or exchangeable for, such securities (including without limitation options and warrants to purchase such securities) and, without limiting the generality of the foregoing, includes the Shares with respect to the Company.

Where the context so requires, words importing the singular number include the plural and vice versa, and words importing the masculine gender include the feminine and neuter genders.

### **1.3 Administration**

Subject to the Administrators (if other than the Board) reporting to the Board on all matters relating to this Plan and obtaining approval of the Board or Shareholders as required for those matters required by the Administrators’ mandate, this Plan will be administered by the Administrators and the Administrators shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan;

- a) to determine the number of Shares issuable upon the exercise of each Option;
- b) to determine the Exercise Price of each Option;
- c) to determine the time or times when Options will be granted and exercisable;
- d) to determine if the Options will be subject to any vesting provisions or if the Underlying Shares will be subject to any restrictions upon the exercise of such Options related thereto;
- e) to prescribe the form of the agreement(s) and other document(s) used in connection with the Plan, including those relating to the grant and exercise of Options; and
- f) to interpret and construe the Plan and to determine all questions arising out of the Plan or any Option, and any such interpretation, construction or determination made by the Administrators shall be final, binding and conclusive for all purposes.

The Administrators shall have the power to establish policies and adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan, consistent with the general purpose and intent of the Plan.

### **1.4 Governing Law**

The Plan shall be governed by, and construed and interpreted in accordance with the laws of the Province of Manitoba and the federal laws of Canada applicable therein.

## **Section 2. GRANT OF OPTIONS UNDER THE PLAN**

### **2.1 Underlying Shares Subject to the Plan**

Subject to Section 2.7 hereof, Options may be granted in respect of authorized and unissued Shares, provided that the aggregate number of Underlying Shares reserved for issuance upon the exercise of all Options granted under the Plan shall be limited to 4,354,020 Shares. No fractional Shares may be purchased or issued under the Plan. Accordingly, if a Participant would be entitled to a fractional Share, the Participant has the right to acquire or be issued only the next lower number of full Shares and no payment or other adjustment will be made with respect to the fractional Shares so disregarded.

Any Option that is cancelled, surrendered, terminated or expires prior to the exercise of all or a portion thereof shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to this Plan to the extent of any Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired Options.

## 2.2 Eligibility

Options may be granted to any Participant as determined by the Administrators from time to time in accordance with the provisions hereof.

## 2.3 Grant

Except as otherwise specifically provided for herein, the Administrators shall determine the number of Options issued, the Exercise Price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and any other terms and conditions relating to each Option; provided that each Option granted hereunder shall consist of:

- a) in the case of an Option granted to a Participant who is not subject to income taxes in the United States:
  - (i) an Option (“**Standard Option**”) with an Exercise Price no less than the Fair Market Value on the Grant Date (the “**Grant Price**”); and
  - (ii) an Option to acquire the same number of Shares that may be acquired pursuant, and on identical terms and conditions, to the corresponding Standard Option, except that an Option granted pursuant to this Section 2.3(a)(ii) shall have an Exercise Price calculated by deducting from the Grant Price applicable to the corresponding Standard Option a portion of all dividends (or distributions) as determined by the Administrators in their sole discretion, on a per share basis, made by the Company after the Grant Date for such Option (“**Partially Declining Exercise Price Option**”). For greater certainty, where a Grant Date falls other than on the first day of a fiscal quarter of the Company, the per Share amount of the dividend or distribution deducted from the Grant Price for that fiscal quarter to determine the Exercise Price for a Partially Declining Exercise Price Option shall be pro-rated from the Grant Date to the end of such fiscal quarter. The Administrators may establish a minimum Grant Price and/or Exercise Price for Partially Declining Exercise Price Options.
- b) in the case of an Option granted to a Participant who is subject to income taxes in the United States, the Standard Option only.

All Options granted hereunder shall be evidenced by an agreement between the Company and the Optionee substantially in the form of Schedule 1 or such other form of agreement as may be approved by the Administrators from time to time (“**Option Agreement**”).

## 2.4 Option Confirmation

Upon the grant of each Option, a confirmation substantially in the form of Schedule 2 or such other form of confirmation as may be approved by the Administrators from time to time (each being an “**Option Confirmation**”), shall be delivered by the Administrators to the Optionee.

## 2.5 Maximum Term

Subject to Section 2.6, in no event may the term of an Option exceed 84 months from the date of the grant of the Option.

## 2.6 Blackouts

If the term of an Option terminates during a Blackout Period, or within nine Business Days following the expiration of a Blackout Period, the term for such Option shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the Blackout Period, such tenth Business Day to be considered the end of the term for the Option for such Option for all purposes under the Plan.

For purposes of this Plan, “**Blackout Period**” shall mean the period during which an Optionee cannot trade Shares pursuant to the Company’s Insider Trading Policy respecting restrictions on trading Shares that is in

effect at that time (which, for greater certainty, does not include the period during which a cease-trade order is in effect to which the Company, or an Insider of the Company, is subject).

For purposes of this Plan, “**Business Day**” shall mean each day other than a Saturday, Sunday or statutory holiday in Winnipeg, Manitoba or Toronto, Ontario, Canada.

Under no circumstances will the term of an Option subject to the Code be extended beyond the original expiration date as a result of application of this Section 2.6.

## **2.7 Limit on Underlying Shares Subject to Option**

- a) The total number of Underlying Shares issuable to any Optionee under this Plan shall not exceed 5% of the issued and outstanding Shares at the Grant Date.

Except with the approval of the Shareholders given by the affirmative vote of a majority of the votes cast at a meeting of the Shareholders, excluding the votes attaching to Shares beneficially owned by Insiders of the Company to whom Shares may be issued pursuant to any equity compensation arrangement, no Options shall be granted to any Participant if such grant could result, at any time, in:

- (i) the number of Underlying Shares issuable to Insiders of the Company pursuant to Options and any other equity compensation arrangements exceeding 10% of the then issued and outstanding Shares;
  - (ii) the issuance to Insiders of the Company, within a one-year period, of a number of Underlying Shares and any other equity compensation arrangements exceeding 10% of the then issued and outstanding Shares; or
  - (iii) the issuance to any one Insider of the Company, within a one-year period, of a number of Underlying Shares exceeding 10% of the then issued and outstanding Shares.
- b) Notwithstanding anything to the contrary herein, the number of Underlying Shares issuable to any Optionee who is not subject to income taxes in the United States under an Option shall be calculated as the sum of Underlying Shares under the Standard Option and the Partially Declining Exercise Price Option divided by two; provided, for greater certainty, that this Section 2.7(b) shall not apply to any Options granted prior to the Effective Date.

## **Section 3. TERMINATION OF OPTIONS**

### **3.1 Termination of Eligibility**

Subject to Sections 2.5, 3.2, 3.3, 3.4 and 3.5 hereof and to any express resolution passed by the Administrators with respect to an Option, an Option and all rights to purchase Shares or otherwise exercise such Option pursuant thereto shall expire and terminate immediately upon the Optionee who holds such Option ceasing to be a Participant unless such person voluntarily resigns or was terminated without cause or due to the death, disability or Qualified Retirement of such Participant. For greater certainty, if an Optionee’s employment with the Company or a Participating Company, as the case may be, is terminated for cause, all Options granted to the effected Optionee (whether vested or unvested) shall be deemed to immediately expire and terminate upon the giving of any notice of such termination of employment.

For greater certainty and for purposes of this Plan, an Optionee ceases to be a Participant on the date on which the Optionee actually ceases employment with the Company or a Participating Company, as the case may be, without regard to notice of termination, severance or termination pay, damages or any claim thereto (whether contractual, statutory or at common law), if any.

### **3.2 Expiration Time Determined by Administrators**

The Administrators may, in their sole discretion, at the time of the granting of Options hereunder, determine the provisions relating to expiration and vesting of an Option upon the retirement or termination of employment with the Company or any Participating Company of an Optionee while holding an Option which

has not been fully exercised. The provisions relating to such expiration shall be contained in the written option agreement, instrument or certificate between the Company and the Optionee.

### 3.3 Retirement

If an Optionee retires from employment with the Company or any Participating Company prior to the expiration of Options held by such Optionee, and such retirement is approved by the Administrators as a Qualified Retirement, such Optionee shall be deemed to continue to be a Participant hereunder until such Options held by such Optionee have expired in accordance with the Plan. For greater certainty, all unvested Options held by such Optionee shall continue to vest in accordance with the vesting schedule established at the time of grant for such Options.

### 3.4 Exercise by Personal Representatives

If an Optionee shall die holding a vested Option which has not been fully exercised, his or her personal representatives, heirs or legatees may, at any time during the period commencing on the date of the grant of probate of the will or letters of administration of the estate of the deceased and ending on the earlier of: (a) the expiry time of such vested Option set forth in the Option Agreement; and (b) the date that is one (1) year from the date of the grant of probate of the will or letters of administration of the estate of the deceased, exercise the Option with respect to the unexercised vested Option (or portion thereof) and for this purpose, all such Options shall be exercisable in accordance with the Plan.

### 3.5 Voluntary Resignation and Termination Without Cause

If the employment of an Optionee with the Company or a Participating Company, as the case may be, is terminated without cause or an Optionee voluntarily resigns from such employment prior to the expiration of all vested Options held by such Optionee, such Optionee shall be deemed to continue to be a Participant hereunder for a period ending at the earlier of 90 days after such voluntary resignation or termination without cause, as the case may be, or until all vested Options held by such Optionee have expired in accordance with the Plan. All unvested Options shall immediately expire upon such termination without cause or voluntary resignation.

## Section 4. EXERCISE

### 4.1 Exercise of Options

Subject to the provisions of the Plan, an Option may be exercised by an Optionee from time to time by delivery to the Company at its registered office of:

- a) a written notice of exercise addressed to the Vice President Human Resources substantially in the form of Schedule 3, or such other form of notice of exercise as may be approved by the Administrators from time to time:
  - (i) specifying the number of Shares with respect to which the Option is being exercised,
  - (ii) in the case of an Optionee who is not subject to income taxes in the United States, specifying the Optionee's election to exercise such Option pursuant to the terms of one or a combination of the Standard Option and/or the Partially Declining Exercise Price Option<sup>(1)</sup>, and
  - (iii) specifying the Optionee's election that the Company satisfy such exercise by:
    - (A) **Cash Payment** — making (or causing to be made) a cash payment in an amount calculated as the excess of (X) the product of the Fair Market Value as at the date of such exercise (if such Fair Market Value is greater than the applicable Exercise Price) and the number of Underlying Shares subject to the Option exercise over (Y) the product of the applicable Exercise Price and the number of such Underlying Shares, less any applicable withholding tax that may be required in accordance with Section 7.5 hereof; provided, however, that if the Optionee has elected to exercise an Option pursuant to this Section 4.1(a)(iii)(A), the

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(1) An Optionee who is subject to income taxes in the United States shall automatically be deemed to exercise any Option pursuant to the terms of the Standard Option.

Company may determine in its sole discretion to satisfy such exercise by requiring the Optionee to elect that the Company either: (I) issue to such Optionee from treasury the specified number of Underlying Shares subject to the Option exercise in lieu of a cash payment, or (II) issue to such Optionee from treasury the number of Shares determined in accordance with Section 4.2 in lieu of a cash payment; or

(B) **Issuance of Shares from Treasury** — issuing to the Optionee from treasury the specified number of Underlying Shares subject to the Option exercise; or

(C) **Cashless Exercise** — issuing to the Optionee from treasury the number of Shares determined in accordance with Section 4.2; and

- b) if the Optionee elects to exercise such Option in accordance with Section 4.1(a)(iii)(A) above and the Company determines to satisfy such exercise by requiring the Optionee to elect that the Company issue Shares from treasury in lieu of a cash payment and the Optionee elects that the Company issue Shares from treasury as set out in Section 4.1(a)(iii)(A)(I) or if the Optionee elects to exercise such Option in accordance with Section 4.1(a)(iii)(B), the Optionee must provide a cheque payable to the Company in an amount calculated as the amount of any applicable withholding tax plus the product of the Exercise Price and the number of Shares to be acquired pursuant to the Option exercise.

If the Optionee elects to exercise his or her Option in accordance with Section 4.1(a)(iii)(A) hereof (and the Company does not determine to satisfy such exercise by issuing Shares from treasury in lieu of a cash payment as set out in Section 4.1(a)(iii)(A)), the Company shall, following its acceptance of such election, satisfy such exercise by issuing (or causing to be issued) a cheque payable to the Optionee in an amount calculated as the excess of (X) the product of the Fair Market Value as at the date of such exercise and the number of Underlying Shares subject to the Option exercise over (Y) the product of the applicable Exercise Price and the number of such Underlying Shares, less any applicable withholding tax that may be required in accordance with Section 7.5 hereof.

For greater clarity: (a) to exercise an Option, an Optionee who is not subject to income taxes in the United States shall be required to irrevocably elect to exercise an Option in respect of specified Underlying Shares pursuant to the terms of either the Standard Option or the Partially Declining Exercise Price Option (and may not elect both) and, upon such irrevocable election, the Standard Option or the Partially Declining Exercise Price Option that has not been elected shall automatically be deemed cancelled in respect of such Underlying Shares for no consideration (and the Company shall only be obligated to issue Shares or make a cash payment, as the case may be, under either the Standard Option or the Partially Declining Exercise Price Option elected by the Optionee and under no circumstances shall the Company be obligated to issue the Shares or make a cash payment, as the case may be, under both the Standard Option and the Partially Declining Exercise Price Option); (b) to exercise an Option, an Optionee who is subject to income taxes in the United States shall be deemed to exercise such Option pursuant to the terms of the Standard Option and shall under no circumstances be permitted or deemed to exercise such Option pursuant to the terms of the Partially Declining Exercise Price Option; and (c) the reduction of the Exercise Price upon any election to exercise an Option pursuant to the terms of the Partially Declining Exercise Price Option shall not be considered a reduction for the purposes of Section 5.

#### **4.2 Election to Exercise Options — Cashless Exercise**

At the election of an Optionee, substantially in the form of Schedule 3, or such other form of notice of exercise as may be approved by the Administrators from time to time, an Optionee who has elected to exercise his or her Option may choose to receive the value of the Options being exercised in the form of Shares without payment of the aggregate Exercise Price due on such exercise. Upon actual receipt by the Administrators of a notice of exercise from a Participant validly electing to exercise an Option pursuant to this Section 4.2, the Company shall calculate and issue to such Participant that number of Shares as is determined by application of the following formula:

$$X = \{[Y(A - B)]/A\} - C$$

Where

X = the number of Shares to be issued to the Participant upon such cashless exercise

Y = the number of Underlying Shares in respect of the Option being exercised

A = the Fair Market Value as at the date of such notice of exercise, if such Fair Market Value is greater than the exercise price

B = the Exercise Price of the Option being exercised

C = that number of Shares having a value equal to the amount of applicable source deduction withholdings

For greater certainty, any Shares withheld to satisfy source deduction withholdings shall immediately be sold on the Participant's behalf.

#### **4.3 Obligation of the Company**

Notwithstanding any of the provisions contained in the Plan or in any Option, the Company's obligation to issue Underlying Shares to an Optionee pursuant to the exercise of any Option shall be subject to:

- a) completion of such registration or other qualification of such Underlying Shares or obtaining approval of such governmental or regulatory authority as the Administrators shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- b) the admission of such Underlying Shares to listing on any stock exchange on which the Shares may then be listed; and
- c) the receipt from the Optionee of such representations, warranties, agreements and undertakings as the Administrators determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

The Administrators shall, to the extent necessary, take all commercially reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Underlying Shares in compliance with applicable securities laws and for the listing of such Underlying Shares on any stock exchange on which the Shares are then listed.

### **Section 5. ADJUSTMENTS**

#### **5.1 Certain Adjustments**

- a) In the event of any subdivision or redivision of the Shares into a greater number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, such Optionee shall be entitled to receive at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefore, such number of Shares as such Optionee would have been entitled as a result of such subdivision or redivision if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.
- b) In the event of any consolidation of the Shares into a lesser number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, such Optionee shall be entitled to receive at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefore, such number of Shares as such Optionee would have been entitled as a result of such consolidation if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.
- c) If at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Sections 5.1(a) and 5.1(b) or, subject to the provisions of Section 6.2(a) hereof, the Company shall consolidate, merge, amalgamate or enter into an arrangement with or into another



corporation(s) or other entit(ies) (the entity resulting or continuing from such consolidation, merger, amalgamation or arrangement being herein called the “**Successor Entity**”) the Optionee shall be entitled to receive upon the subsequent exercise of his or her Option in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefore, the aggregate number of securities of the appropriate class and/or other consideration from the Company or the Successor Entity (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or, subject to the provisions of Section 6.2(a) hereof, as a result of such consolidation, merger, amalgamation or arrangement if on the record date of such reclassification, reorganization, other change or the effective date of such consolidation, merger, amalgamation or arrangement, as the case may be, he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

## **Section 6. AMENDMENT OR DISCONTINUATION**

### **6.1 Amendment or Discontinuation of the Plan**

Subject to the other provisions of the Plan, the Board may amend or discontinue the Plan at any time without Shareholder approval, provided, however, that no such amendment or discontinuance may materially and adversely affect any Option previously granted to an Optionee without the consent of the Optionee, except to the extent required by law.

Notwithstanding the foregoing, the Plan may not be amended to effect any of the following without Shareholder approval:

- a) an increase to Plan maximum or number of Shares reserved for issuance under the Plan;
- b) an amendment to the amendment provisions granting additional powers to the Board to amend the Plan or entitlements without Shareholder approval;
- c) a reduction in the exercise price of Options or other entitlements (other than, for greater certainty, the reductions provided for under the Partially Declining Exercise Price Option);
- d) an extension to the term of Options;
- e) a change to the Insider participation limits to a level that would require the Company to obtain disinterested Shareholder approval under the rules or policies of the TSX or applicable securities regulatory authorities;
- f) a change to the definition of “Participant”; or
- g) a change to permit Options to be transferable or assignable to any person other than to the personal representatives, heirs or legatees of the Optionee in accordance with Section 3.5 hereof.

For greater certainty, Shareholder approval shall not be required for the following amendments and the Board may make the following changes without Shareholder approval, subject to any regulatory approvals including, where required, the approval of the TSX:

- a) amendments of a “housekeeping” nature;
- b) a change to the vesting provisions of any Option; and
- c) a change to the expiration provisions of any Option that does not entail an extension beyond the original expiration date (as such date may be extended by virtue of Section 2.6).

Notwithstanding the foregoing or anything contained in this Plan to the contrary, with respect to Options subject to the Code, no amendment or other action will: (1) reduce the Exercise Price to an amount less than the Fair Market Value of the Underlying Shares on the date the Option was originally granted; (2) provide financial assistance to the Optionee that directly or indirectly reduces the Exercise Price to an amount less than the Fair Market Value of the Underlying Shares on the Grant Date, regardless of whether the Optionee in fact benefits from the financial assistance, or (3) extend the term of an Option beyond the original expiration date (as such date may be extended by virtue of Section 2.6), unless (with respect to all three prohibitions) the Option is



treated as a new Option for purposes of the Code and the Exercise Price (as modified, if applicable) equals or exceeds the Fair Market Value as of the date of the change, or, with respect to an extension of the Option term, the exercise of the Option would violate an applicable law or would jeopardize the ability of the Company or a Participating Company to continue as a going concern and the Option term is extended to no more than 30 days after the exercise would no longer violate applicable law or jeopardize the ability of the Company or a Participating Company to continue as a going concern. For greater certainty, no amendment or other action contemplated by this paragraph shall be effected to the extent such amendment or other action would violate, contravene or otherwise not comply with any other provision of this Plan or any applicable Canadian law or the rules of any relevant stock exchange or other regulatory authority.

## 6.2 Effect of Amendment or Discontinuance

Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board in implementation thereof:

- a) in the event that: (i) the Company proposes to amalgamate, merge, consolidate or enter into an arrangement with any other corporation(s) or other entit(ies) or to liquidate, dissolve or wind-up; (ii) an offer to purchase or repurchase the Shares or any part thereof shall be made to all or substantially all holders of Shares; or (iii) there is a transaction involving a Change in Control (each, a “**Proposed Transaction**”), the Company shall have the right, in its sole discretion, upon written notice thereof to each Optionee holding Options under the Plan, to accelerate the vesting of all or some of their Options (whether or not currently vested) and to permit the exercise of such Options within the 20 day period following the date of such notice and to determine that upon the expiration of such 20 day period, all rights of the Optionees to Options or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever, provided that the Proposed Transaction is completed within 180 days after the date of the notice. If the Proposed Transaction is not completed within the 180-day period, any affected Participant, within a period of 20 days following the 180-day period, may elect to cancel an exercise pursuant to the notice. In respect of any Participant who makes this election, the Company shall return to the Participant all rights under the Participant’s Options as if no exercise had been effected, subject to appropriate adjustment of accounts to the position that would have existed had there been no exercise of Options or repurchase of Shares;
- b) in the event of the sale by the Company of all or substantially all of the assets of the Company as an entirety (other than in connection with a consolidation, merger, amalgamation or arrangement of the Company with or into another corporation(s) or other entit(ies), in which case only the provisions of Section 5.1(c) shall apply), an outstanding Option may be exercised in accordance with the provisions of the Plan at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is 20 days following the date of completion of such sale; and (ii) the close of business on the expiration date of the Option; but the Optionee shall not be entitled to exercise the Option with respect to any other Underlying Shares;
- c) subject to the rules of any relevant stock exchange or other regulatory authority, the Administrators may, by resolution, accelerate the date on which any unvested Option vests and the date on which any Option may be exercised, or extend the expiration date of any Option. The Administrators shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Optionee; and
- d) subject to the rules of any relevant stock exchange or other regulatory authority, the Administrators may, by resolution, decide that any of the provisions hereof concerning the effect of ceasing to be a Participant shall not apply to any Optionee for any reason acceptable to the Administrators.

Notwithstanding the provisions of this Section 6, should changes be required to the Plan by any securities commission, stock exchange or other governmental or regulatory body of any jurisdiction to which the Plan or the Company now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be

filed with the records of the Company and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

## **Section 7. MISCELLANEOUS**

### **7.1 Rights of Optionee**

An Optionee shall not have any rights as a Shareholder with respect to any of the Shares subject to such Option until the date of issuance of a certificate for Shares upon the exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing and subject to the provisions of Section 5 hereof, no adjustment shall be made for distributions or other rights for which the record date is prior to the date such Share certificate is issued.

### **7.2 Right to Employment**

Nothing in the Plan or any Option shall confer upon an Optionee any right to continue in the employ of the Company or any Participating Company, or affect in any way the right of the Company or any Participating Company to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any Participating Company to extend the employment of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or any Participating Company or any present or future retirement policy of the Company or any Participating Company, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Company or any Participating Company.

### **7.3 Transferability**

An Option is personal to each Optionee and is non-assignable, except as otherwise provided for herein.

### **7.4 Compliance with Statutes and Regulations**

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Manitoba and the federal laws of Canada applicable therein.

### **7.5 Withholdings**

The Optionee shall be solely responsible for all federal, provincial, state and local taxes resulting from his or her receipt of an Option, Share or other property pursuant to the Plan, except to the extent that the Company or the Participating Company, as the case may be, has, directly or indirectly, withheld (i) cash for remittance to the statutory authorities and/or (ii) securities having a value equal to the cash to be remitted to the statutory authorities, such securities to be sold on the Participant's behalf. In this regard, the Company or the Participating Company, as the case may be, shall be able to deduct from any payments hereunder any taxes that are required to be withheld and remitted. The Optionee agrees to indemnify and save the Company and the Participating Company harmless from any and all amounts payable or incurred by Company or any of its Participating Companies if it is subsequently determined that any greater amount should have been withheld in respect of taxes or any other statutory withholding.

This Plan will become effective upon approval of the Shareholders.

**IN WITNESS WHEREOF** this Plan has been executed by the Company this 14<sup>th</sup> day of June, 2011.

**THE NORTH WEST COMPANY INC.**

Per: \_\_\_\_\_

Name: Paulina Hiebert

Title: Vice President, Legal and Corporate Secretary

**SCHEDULE 1**  
**OPTION AGREEMENT**

This agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between The North West Company Inc. (the “**Company**”) and \_\_\_\_\_ (the “**Participant**”) pursuant to the First Amended and Restated Share Option Plan (the “**Plan**”) of the Company dated June 14, 2011.

Pursuant to the Plan and in consideration of the services provided to the Company by the Participant, the Company agrees to grant options (“**Options**”) and issue Shares (the “**Shares**”) of the Company or make (or cause to be made) a cash payment in respect of Options, as the case may be, to the Participant. The grant of the Option is confirmed by the Option Confirmation attached to this agreement.

The grant and exercise of the Option and the issue of Shares or cash payment in respect of the Option, as the case may be, are subject to the terms and conditions of the Plan, all of which are incorporated into and form a part of this agreement. For greater certainty, the Participant acknowledges the termination provisions set out in Section 3 of the Plan.

This agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participant and the legal representatives of his or her estate and any other person who acquires the Participant’s rights in respect of the Options by bequest or inheritance.

By executing this agreement, the Participant confirms and acknowledges that he or she has not been induced to enter into this agreement or acquire or exercise any Option by expectation of employment or continued employment with the Company or any Participating Company.

Capitalized terms used and not otherwise defined herein have the meanings ascribed to such terms in the Plan.

**THE NORTH WEST COMPANY INC.**

By: \_\_\_\_\_  
Title:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
(Participant)

SCHEDULE 2  
OPTION CONFIRMATION

TO: \_\_\_\_\_ (“Participant”)

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Pursuant to the First Amended and Restated Share Option Plan (the “Plan”) of The North West Company Inc. (the “Company”) dated June 14, 2011 and an agreement between the Company and the Participant dated \_\_\_\_\_, 20\_\_\_, the Company confirms the grant to the Participant of an option (the “Option”) to acquire a total of \_\_\_\_\_ Shares of the Company (or as may otherwise be exercised) pursuant to the terms of one or a combination of the following (at the election of the Participant):

- a) the Standard Option: \_\_\_\_\_ Shares of the Company at an exercise price of \$[Grant Price] per Share; **and**
- b) [ONLY AVAILABLE IF THE PARTICIPANT IS NOT SUBJECT TO INCOME TAXES IN THE UNITED STATES] the Partially Declining Exercise Price Option: \_\_\_\_\_ Shares of the Company at an exercise price to be calculated on the date of exercise by deducting from the Grant Price [insert description of the portion of dividends the Administrators have determined in accordance with Section 2.3(a)(ii) of the Plan] dividends (or distributions), on a per share basis, made by the Company after the date hereof.

**IMPORTANT INFORMATION TO EXERCISE THE OPTION:**

**IF THE PARTICIPANT IS NOT SUBJECT TO INCOME TAXES IN THE UNITED STATES, the Participant will be required to irrevocably elect to exercise the Option to acquire the \_\_\_\_\_ Shares of the Company or otherwise exercise the Option pursuant to the terms of either the Standard Option or the Partially Declining Exercise Price Option (and may not elect both). Upon such irrevocable election, the Standard Option or the Partially Declining Exercise Price Option that has not been elected shall automatically be deemed cancelled in respect of such Shares for no consideration (and, for greater certainty, the Participant will only be entitled to receive the number of Shares issuable or cash payment payable, as the case may be, under the Standard Option or Partially Declining Exercise Price Option elected by the Participant).**

**IF THE PARTICIPANT IS SUBJECT TO INCOME TAXES IN THE UNITED STATES, the Participant will be deemed to elect to exercise the Option to acquire the \_\_\_\_\_ Shares of the Company or otherwise exercise the Option pursuant to the terms of the Standard Option and shall in no circumstances be permitted or deemed to exercise the Option pursuant to the terms of the Partially Declining Exercise Price Option.**

The Option shall be exercisable:

- a) as to [1/3] of the Option until \_\_\_\_\_, 20\_\_\_, and \_\_\_\_\_ Underlying Shares may be purchased or the Participant may otherwise exercise the Option in respect of such Underlying Shares in accordance with the terms and conditions of the Plan at any time during this term on or after \_\_\_\_\_ ;
- b) as to [1/3] of the Option until \_\_\_\_\_, 20\_\_\_, and \_\_\_\_\_ Underlying Shares may be purchased or the Participant may otherwise exercise the Option in respect of such Underlying Shares in accordance with the terms and conditions of the Plan at any time during this term on or after \_\_\_\_\_ ; and
- c) as to [1/3] of the Option until \_\_\_\_\_, 20\_\_\_, and \_\_\_\_\_ Underlying Shares may be purchased or the Participant may otherwise exercise the Option in respect of such Underlying Shares in accordance with the terms and conditions of the Plan at any time during this term on or after \_\_\_\_\_ .

The grant and exercise of the Option are subject to the terms and conditions of the Plan. Capitalized terms used and not otherwise defined herein have the meanings ascribed to those terms in the Plan.

**THE NORTH WEST COMPANY INC.**

By: \_\_\_\_\_

Name:

Title:

*[The rest of this page is intentionally left blank.]*

**SCHEDULE 3**  
**NOTICE OF EXERCISE**

**TO: THE NORTH WEST COMPANY INC.**

**ATTENTION: Vice President Human Resources**

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Pursuant to the First Amended and Restated Share Option Plan (the “**Plan**”) of The North West Company Inc. (the “**Company**”) dated June 14, 2011, the undersigned hereby irrevocably elects to exercise his or her option to purchase \_\_\_\_\_ Shares (the “**Shares**”) of the Company which are subject to an option (the “**Option**”) granted on \_\_\_\_\_, 20\_\_ (the “**Grant Date**”) in accordance with the elections indicated below. **Please note that to validly exercise the Option, the undersigned must complete both Part I and Part II below.**

**Part I:**

- A.**  \_\_\_\_\_ Shares pursuant to the Standard Option, at an Exercise Price of \$ \_\_\_\_\_ per Share, being the Grant Price applicable to the Option; **and/or**
- B.**  **[ONLY AVAILABLE IF THE UNDERSIGNED IS NOT SUBJECT TO INCOME TAXES IN THE UNITED STATES]** \_\_\_\_\_ Shares pursuant to the Partially Declining Exercise Price Option, at an Exercise Price of \$ \_\_\_\_\_ per Share, being the Grant Price calculated by deducting from the Grant Price applicable to the Option **[insert description of the portion of dividends the Administrators have determined in accordance with Section 2.3(a)(ii) of the Plan]** dividends (or distributions), on a per share basis, made by the Company after the Grant Date.

**Part II:** The undersigned elects that the Company satisfy the exercise indicated above by (**note: to validly exercise the Option, the undersigned must select one (but no more than one) of the three options listed below.**):

- Cash Payment** — making (or causing to be made) a cash payment in an amount calculated as the excess of (X) the product of the Fair Market Value as at the date hereof (if such Fair Market Value is greater than the applicable Exercise Price) and the number of Shares first noted above over (Y) the product of the Exercise Price and the number of such Shares, less any applicable withholding tax (provided, however, that if the Optionee has elected to exercise an Option as a “Cash Payment”, the Company may determine in its sole discretion to satisfy such exercise by requiring the Optionee to elect that the Company either (a) issue to such Optionee from treasury the specified number of Underlying Shares subject to the Option exercise in lieu of a cash payment, or (b) issue to such Optionee from treasury the number of Shares determined in accordance with Section 4.2 of the Plan (a Cashless Exercise) in lieu of a cash payment); **or**
- Issuance of Shares from Treasury** — issuing to the Optionee from treasury the number of Shares first noted above; **or**
- Cashless Exercise** — issuing to the Optionee from treasury the number of Shares determined by the Company in accordance with Section 4.2 of the Plan.

**IMPORTANT:**

**IF THE UNDERSIGNED IS NOT SUBJECT TO INCOME TAXES IN THE UNITED STATES, the undersigned may only elect to exercise the Option to acquire the Shares or otherwise exercise the Option pursuant to the terms of either the Standard Option or the Partially Declining Exercise Price Option (and may not elect both). Upon such irrevocable election, the Standard Option or the Partially Declining Exercise Price Option that has not been elected above shall automatically be deemed cancelled in respect of such Shares for no consideration (and, for greater certainty, the undersigned will only be entitled to receive the number of Shares issuable or cash payment payable, as the case may be, under the Standard Option or Partially Declining Exercise Price Option elected by the undersigned).**

**IF THE UNDERSIGNED IS SUBJECT TO INCOME TAXES IN THE UNITED STATES, the Participant will be deemed to elect to exercise the Option to acquire the Shares of the Company or otherwise exercise the Option pursuant to the terms of the Standard Option and shall in no circumstances be permitted or deemed to exercise an Option pursuant to the terms of the Partially Declining Exercise Price Option.**

If any Shares are to be issued by the Company in accordance with the exercise made pursuant to this Notice of Exercise, the undersigned requests that such Shares be issued in his or her name as follows in accordance with the terms of the Plan:

\_\_\_\_\_  
(Print Name as Name is to Appear on Share Certificate)

If the undersigned has elected to exercise the Option as a “Cash Payment” and the Company has determined to satisfy such exercise by requiring the undersigned to elect that the Company issue Shares from treasury in lieu of such cash payment and the undersigned has elected that the Company issue Shares in accordance with paragraph (a) under “Cash Payment” above or the undersigned has elected to exercise the Option as an “Issuance of Shares from Treasury”, the undersigned confirms that enclosed is a cheque payable to the Company in the aggregate amount of \$ \_\_\_\_\_ (being \$ \_\_\_\_\_ per Share) in full payment of the aggregate Exercise Price for the total number of Shares acquired pursuant to the Option so exercised under this Notice of Exercise and any applicable withholding tax.

If the undersigned has elected to exercise the Option as a “Cash Payment”, the undersigned requests that the cheque the Company will issue (or cause to be issued), subject to the Company’s right to satisfy such exercise by issuing Shares from treasury in lieu of such cash payment as described above and in accordance with the terms of the Plan, be made payable in his or her name as follows in accordance with the terms of the Plan:

\_\_\_\_\_  
(Print Name as Name is to Appear on the Cheque)

The undersigned acknowledges that he or she has not been induced to purchase the Shares or to otherwise exercise Options by expectation of employment or continued employment with the Company or any Participating Company.

Capitalized terms used and not otherwise defined herein have the meanings ascribed to those terms in the Plan.

**DATED** this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ .

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Participant



## APPENDIX “C”

### STATEMENT OF NORTH WEST GOVERNANCE PRACTICES

North West is committed to high standards of corporate governance. The Governance and Nominating Committee (the “Governance Committee”) undertook a comprehensive review of North West’s governance policies and processes in 2010, both to align with its conversion to a share corporation legal structure, and to generally improve the disclosure of the sound and ingrained principles of good governance North West follows. Our work was focused on processes that truly matter in creating and sustaining investor value and the long-term health of our enterprise, as we reinforced North West’s good governance practices.

The corporate governance practices and structure of North West are set out below.

#### **Composition of the Board of Directors**

The responsibility of the Board of Directors of North West (the “Board”) is to oversee the conduct of North West’s business. The Board discharges its responsibilities either directly or through its committees. The directors are kept informed of North West’s operations at meetings of the Board and its committees, and through reports and discussions with management.

The Board currently consists of 9 directors. The Board will be recruiting an additional director in 2011 to replace Ian Sutherland, who is retiring in June, 2011. North West believes that 10 directors is appropriate for an issuer of the size of North West and believes that the range of expertise and skills facilitate Board effectiveness.

#### **Independence**

The Board has reviewed the status of each of its directors to determine whether such director is “independent” as defined under National Instrument 58-101. Such review is based on the applicable factual circumstances, including financial, contractual and other relationships.

Of the 9 nominee directors, eight are independent within the meaning of NI 58-101. Each of H. Sanford Riley, David G. Broadhurst, Frank J. Coleman, Wendy F. Evans, Robert J. Kennedy, Gary J. Lukassen, James G. Osborne and Gary Merasty is an independent director. Edward S. Kennedy, the President and Chief Executive Officer of North West is not independent.

The independent directors meet separately from management at all regular meetings and as necessary at special meetings.

#### **Other Directorships**

The names of all other reporting issuers on which each director of North West serves as a director is set out in this Circular under the heading “PART III — ABOUT THE NOMINATED DIRECTORS”.

#### **Board Meetings**

The Board holds four regular meetings each year, as well as additional meetings as required. At the end of every regularly scheduled Board meeting, a session is held without any management present, including the CEO.

#### **Chairperson**

H. Sanford Riley is the Chairperson of the Board. Mr. Riley is an independent director as defined in National Instrument 58-101. As Chairperson of the Board, his responsibilities include ensuring the Board functions effectively and independently of management, and that it meets its obligations and responsibilities as set out in its mandate.

#### **Attendance Record**

For information concerning the attendance record of each trustee for all Board and committee meetings, please refer to the disclosure under the heading “PART III — ABOUT THE NOMINATED DIRECTORS — Attendance at Director’s Meetings”.

## **Board Mandate**

The Board's mandate sets out the Board's purpose, organization, duties and responsibilities. A copy of the mandate is attached as Appendix "D" to this Circular.

## **Position Descriptions**

The Board has developed written position descriptions for the Chairperson of the Board, individual directors, and the President and Chief Executive Officer ("CEO").

The Board Chairperson provides independent, effective leadership to the Board in the governance of North West. The Board Chairperson sets the "tone" for the Board and its members to foster ethical and responsible decision making, appropriate oversight of management, and effective governance practices.

The CEO provides effective leadership and vision for North West to grow value responsibly, in a profitable and sustainable manner. The CEO sets the "tone" for management to foster ethical and responsible decision making, appropriate management, and effective governance practices.

## **Orientation and Continuing Education**

North West has not adopted a formal orientation process for new directors, however it will be implemented in 2011. Directors are provided with a copy of all Board and committee mandates and policies, and the corporate bylaws. Directors are given the opportunity to individually meet with senior management in order to improve their understanding of the operations of North West.

Directors are kept informed as to matters impacting North West's operations through reports and presentations at Board meetings. Special presentations on specific business operations are also provided to the Board. Tours are arranged of several of the key operations of certain of North West's operating subsidiaries. In addition, all directors regularly receive information on the operations of North West, including a report from the CEO, a report on corporate development activities, operations reports, a financial overview and other pertinent information. All executives are available for discussions with directors concerning any questions or comments which may arise between meetings.

Individual directors may, with the consent of the Chair of the Governance and Nominating Committee, (the "**Governance Committee**") engage outside advisors at the expense of North West.

## **Code of Ethical Conduct and Disclosure**

The Board believes that a culture of strong corporate governance and ethical business conduct must be endorsed by the Board and all employees. The Code (as defined below) addresses many areas of business conduct.

North West has a written code of conduct for its directors and employees (the "**Code of Conduct**"). A copy of the Code of Conduct can be found on [www.sedar.com](http://www.sedar.com). Management is responsible to advise the Board on any compliance issues relating to the Code of Conduct. To the knowledge of the Board, there have been no departures from the Code of Conduct during fiscal 2010 that would have required the filing of a material change report.

In addition, North West's Whistle Blowing Policy provides a procedure for employees to raise concerns or questions regarding questionable audit or accounting matters.

North West has also adopted a corporate disclosure policy which is reviewed by the Board on a regular basis. Quarterly and annual disclosure and financial packages are reviewed by the Disclosure Committee of Management prior to being recommended for Board approval and CEO/CFO certification of annual filings.

## **Related Party Transactions**

In the event a director or officer has a material interest in any transaction or agreement entered into by North West, such interest must be declared and recorded. If the transaction or agreement is being considered by

the Board, the director is also required to exclude him or herself from any discussions or vote relating to such transaction or agreement.

### **Assessments**

In response to the Board's commitment to effective corporate governance, a regular evaluation process takes place. As part of this evaluation, Board members assess their effectiveness as a Board, as individual directors, and the Board and committee Chairpersons. The Governance Committee reviews recommendations and issues arising out of the questionnaires, and implements such changes arising therefrom as it considers appropriate.

### **Board Committees**

The Board has three Committees who oversee the activities of North West. The Chairperson of the Board is an ex-officio non-voting member of all committees of the Board. Board committees meet regularly without management. The President and CEO attends Board committee meetings as an invited guest.

#### **Governance and Nominating Committee (“Governance Committee”)**

The Governance Committee is composed of three Directors, namely Frank Coleman (Chairperson), David Broadhurst and James Osborne, all of whom are independent.

The Governance Committee is responsible for developing and monitoring North West's approach to corporate governance in accordance with good corporate practice and applicable laws and policies. In particular, the Governance Committee is responsible for overseeing the role, composition, and effectiveness of the Board and its committees. In this regard, the Governance Committee is responsible for such matters as establishing and reviewing the mandate of the Board and its committees; identifying and evaluating candidates for nomination to the Board; overseeing the orientation and education programs for the directors; assessing the effectiveness of the Board, its committees and individual directors; and establishing and reviewing general corporate policies and practices, such as related party transaction policies and insider trading guidelines.

#### **Human Resources, Compensation and Pension Committee (the “Compensation Committee”)**

The Compensation Committee is composed of four Directors, namely Bob Kennedy (Chairperson), Wendy Evans, James Osborne, and Ian Sutherland, all of whom are independent.

The Compensation Committee is responsible for ensuring that appropriate and effective human resource recruitment, development, compensation, retention, succession planning, and performance evaluation programs are developed and implemented in conformity with North West's strategic objectives, and with a view to attract and retain the best qualified management and employees. See “PART IV — EXECUTIVE COMPENSATION” for the report presented this year on executive compensation.

### **Audit Committee**

The Audit Committee is composed of five Directors, namely Gary Lukassen (Chairperson), David Broadhurst, Ian Sutherland, Robert Kennedy, and Wendy Evans, all of whom are independent.

The Audit Committee is responsible for overseeing the integrity of North West's financial reporting process. In this regard, the primary duties of the Audit Committee involve reviewing North West's annual and interim financial statements, monitoring North West's financial reporting process and internal disclosure control systems, and overseeing the audits conducted by North West's external auditors.

The Audit Committee is also responsible for overseeing the integrity of North West's risk management and the reporting procedures with respect thereto; evaluating the qualifications and performance of North West's external auditors and implementing practices to preserve their independence; reviewing the engagements to be provided by the external auditors; and reviewing all significant auditing and accounting practices and policies and any proposed changes with respect thereto.

## **Nomination of Directors**

The Governance Committee annually reviews both the size and composition of the Board. In considering new nominees for the Board, the Governance Committee assesses the skill, expertise and experience of incumbent directors in order to determine the skills, expertise and experience it should seek in new board members to add value to the Board. The Committee then makes recommendations on candidates to the Board.

## **Compensation**

The remuneration paid to the directors is reviewed each year by the Governance Committee. The level of compensation is designed to provide a competitive level of remuneration for directors relative to comparable issuers in the marketplace. The directors also participate in the Director Deferred Share Unit Plan which is designed to directly align the interests of the directors with the interests of the Shareholders by providing compensation to directors in the form of Shares.

The compensation of officers is reviewed each year by the Compensation Committee, which is comprised of four directors, all of whom are independent. The Compensation Committee is responsible for ensuring that appropriate and effective human resource recruitment, development, compensation, retention, succession planning, and performance evaluation programs are developed and implemented in conformity with North West's strategic objectives, and with a view to attract and retain the best qualified management and employees.

Please refer to this Circular under the heading "PART IV — EXECUTIVE COMPENSATION" for further information on the process for determining executive compensation.

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## APPENDIX “D”

### THE NORTH WEST COMPANY INC.

#### MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) of The North West Company Inc. (“North West”) is responsible for the stewardship of North West, providing independent and effective leadership in supervising the business and affairs of North West. The Board will discharge this responsibility by developing and determining policies by which the business and affairs of North West are to be managed, and by overseeing the management of North West.

#### **A. COMPOSITION, BOARD ORGANIZATION, AND MEETINGS**

- The Board will be comprised of between seven and twelve Directors, with the number of Directors from time to time being fixed by the Board. The Board will be constituted with a majority of individuals who are “independent” within the meaning of the corporate governance policies of *National Policy 58-201 Corporate Governance Guidelines*.
- All Directors will have the skills and abilities appropriate to their appointment as a Director.
- The Directors will be elected at each annual meeting of shareholders subject to North West’s bylaws, and may be elected at a special meeting of shareholders, in each case to hold office for a term expiring at the close of the next annual meeting of shareholders following such an election.
- The Board is responsible for establishing formal delegations of authority, which define the limits of management’s power and authority, and delegating to management certain powers to manage the affairs of North West. The Board has delegated to the Chief Executive Officer (“CEO”) certain powers and authorities to manage the business and affairs of North West, subject to the limitations of North West’s governing legislation. Any power or authority not so delegated remains within the Board.
- The Board has established the following committees to assist in discharging its duties: the Audit Committee, the Governance and Nominating Committee, and the Human Resources, Compensation and Pension Committee. Each committee has its own Board approved mandate. The Board may establish additional Committees or merge or dispose of any committee, as circumstances require. The Board is responsible for overseeing the duties delegated to each committee.
- In fulfilling its responsibilities, the Board shall have unrestricted access to management, and authority to select, retain, terminate and approve the fees of any independent advisor to assist it in performing its responsibilities. It is the policy of the Board to conduct portions of regularly scheduled meetings in the absence of management.
- Minutes of the Board and its committees shall be recorded and maintained by the Corporate Secretary, and subsequently presented to the Board or its committees for approval.

#### **B. DUTIES AND RESPONSIBILITIES**

The Board’s duties include:

##### **1. Strategic Planning**

- Providing oversight and guidance on the strategic issues facing North West.
- Requiring the CEO, in collaboration with the Board, to develop and present to the Board for approval, North West’s long term strategic plan.
- Approving North West’s financial objectives and annual operating plan, including capital allocations, expenditures, and transactions exceeding threshold amounts set by the Board.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Approving major business decisions not specifically delegated to management.

## **2. Identification and Management of Risks**

- Ensuring that processes are in place to identify and manage the principal risks inherent in North West's business and operations.
- Reviewing the systems that are implemented by management to manage and monitor those risks.
- Reviewing the processes that ensure compliance with applicable legal and regulatory requirements.

## **3. Financial Performance and Internal Controls**

- Overseeing the financial reporting and disclosure obligations of the Board.
- Recommending the appointment and remuneration of North West's external auditors to North West's shareholders.
- Overseeing the integrity of North West's management information systems and the effectiveness of North West's internal controls.
- Reviewing and approving North West's annual and quarterly financial statements, management's discussion and analysis, annual information form, management proxy circular, and other public disclosure documents that require board approval.
- Overseeing compliance with applicable audit and accounting requirements.
- Approving the issuance of securities and the declaration of dividends.

## **4. Communications and Public Disclosure**

- Approving North West's communication policies.
- Overseeing establishment of processes for accurate, timely, and appropriate full public disclosure.
- Approving a written disclosure policy, and monitoring compliance of such policy and applicable corporate, securities and exchange requirements.

## **5. Human Resources Management, Succession Planning and Executive Compensation**

- Supervising the succession planning processes of North West, and approving the selection, appointment, development, evaluation and compensation of the CEO and other senior officers.
- Overseeing North West's executive compensation program and overall compensation philosophy for all other employees.
- Monitoring North West's approach to human resource management.
- Ensuring there are policies and practices in place to enable North West to attract, develop, and retain the human resources required by North West to meet its business objectives.

## **6. Governance**

- Developing a set of corporate governance principles and guidelines.
- Establishing appropriate structures and procedures to allow the Board to function independently of management.
- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.
- Approving the compensation of the Directors and the Chairperson of the Board.
- Setting expectations and responsibilities of Directors, including attendance at, preparation for, and participation in meetings.
- Undertaking regular evaluations of the Board, its committees, its members, and reviewing its composition with a view to the effectiveness and independence of the Board and its members.

- Ensuring that each new Director engages in a comprehensive orientation process and that all directors are provided with continuing education opportunities.
- Identifying competencies and skills necessary for the Board as a whole and for each individual Director.
- Identifying individuals qualified to become new Directors.
- Reviewing the Board mandate on a regular basis, or as a result of legislative or regulatory changes, to ensure it appropriately reflects the Board's stewardship responsibilities.

**7. Integrity, Ethics and Social Responsibility**

- Establishing North West's values, including approving North West's Code of Conduct.
- Monitoring compliance with the Code of Conduct.
- Approving other policies and practices for dealing with matters related to integrity, ethics and social responsibility.
- To the extent possible, satisfying itself of the integrity of the CEO and other senior officers and that the CEO and other senior officers create a culture of integrity throughout North West.

Approved by the Board of Directors effective January 1, 2011

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Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the voyageurs who pushed past limits to further our Company's growth during the fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants".

**The North West Company Inc.**

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