



More growth *in store...*

NORTH WEST COMPANY FUND

Annual Information Form Year ended January 31, 2010

APRIL 7, 2010



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EXPLANATORY NOTES

Date of Annual Information Form

The information contained in this Annual Information Form (“AIF”) is stated as at January 31, 2010, unless otherwise indicated.

Glossary of Terms

Unless otherwise indicated or the context otherwise requires:

“Affiliated Entities” means NWC, NWCT, NWCLP, NWHoldco, NWCGP, NWCSI, NWCUSHoldco, NWCI, and all other Fund subsidiaries. Where the context requires, references to the Fund include the Affiliated Entities;

“Declaration of Trust” means the second amended and restated declaration of trust dated as of June 11, 2009 governing the Fund, as the same may be amended, supplemented or restated from time to time;

“AC” means the AC Value Centre banner;

“CUL” means the Cost-U-Less banner;

“Fund” means North West Company Fund, and where the context so requires, references to the Fund include the Affiliated Entities;

“GT” means the Giant Tiger banner;

“International Operations” means the Fund’s operations under the tradenames; AC Value Centres, Cost-U-Less, Quickstop, Alaska Pacific Wholesale, and Island Fresh Supermarket;

“NWC” means The North West Company Inc. / La Compagnie Du Nord-Ouest Inc. (including all of its predecessor entities, as applicable);

“NWCGP” means NWC GP Inc.;

“NWCI” means The North West Company (International) Inc.;

“NWCLP” means The North West Company LP;

“NWCSI” means NWC Services Inc.;

“NWHoldco” means North West Company Holdings Inc.;

“NWCUSHoldco” means NWC (U.S.) Holdings Inc.;

“NWCT” means The NWC Trust;

“Senior Notes” has the meaning set out in “Description of the Business – Debt Financing – Senior Notes”;



“Tax Act” means the Canadian Income Tax Act;

“Trust Units” means the trust units of the Fund; and

“Unitholders” mean holders of the Trust Units.

Currency

Unless otherwise stated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

Forward-Looking Statements

This AIF contains "forward-looking statements" within the meaning of applicable securities laws, including (but not limited to) statements about the Fund's profitability, the Fund's objectives and strategies, outlook for the Fund's business or the economy, targeted and expected financial results, and new products and services, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, which reflect the Fund's current expectations and are based on information currently available to management. The words "may", "will", "should", "believe", "expect", "plan", "anticipate", "intend", "estimate", "predict", "potential", "continue" or the negative of these terms, or other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking matters.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to economic conditions and consumer confidence, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative and regulatory developments, changes in income tax legislation affecting income funds, timing of the conversion to a corporation, legal developments, the level of competition in the Fund's markets, the occurrence of weather related and other natural catastrophes, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, changes in tax laws, and those risks and uncertainties detailed in the section entitled "Risk Factors". The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Non-GAAP Measures

Trading-profit (“EBITDA”) is not a recognized measure under the Canadian generally accepted accounting principals (GAAP). Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the operational performance of the Fund before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund’s performance. The Fund’s method of calculating trading profit may differ from other issuers and, accordingly, trading profit may not be comparable to measures used by other issuers.



Earnings Before Interest and Income Taxes (“EBIT”) is not a recognized measure and does not have a standardized meaning under Canadian GAAP. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned, however, that EBIT should not be construed as an alternative to net earnings determined in accordance with Canadian GAAP as an indicator of the Fund’s performance. The Fund’s method of calculating EBIT may differ and may not be comparable to measures used by other companies.

Cash flow from operations is not a recognized measure under Canadian GAAP. Management believes that in addition to cash flow from operating activities, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Fund’s ability to generate cash flows to fund its cash requirements, including distributions and capital investments. Investors should be cautioned, however, that cash flow from operations should not be construed as an alternative to cash flow from operating activities or net earnings as a measure of profitability. The Fund’s method of calculating cash flow from operations may differ from other issuers and may not be comparable to measures used by other issuers.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Fund is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba on January 31, 1997 pursuant to a declaration of trust, which was last amended and restated on June 11, 2009 (the “Declaration of Trust”). The Fund is a limited purpose trust, the principle activities of which include investing in such securities as may be approved from time to time by the Trustees of the Fund (the “Trustees”) including securities of its Affiliated Entities, and to the extent possible, to make distributions to Unitholders from distributions or payments made to the Fund.

At January 31, 2010, the Fund held 100% of the shares of NWC, 100% of the trust units of NWCT, 100% of the shares of NWHoldco, 100% of the shares of NWCGP, and a \$30.0 million promissory note of NWCT due December 31, 2031. The Fund also holds Class A and Class B partnership units in NWCLP.

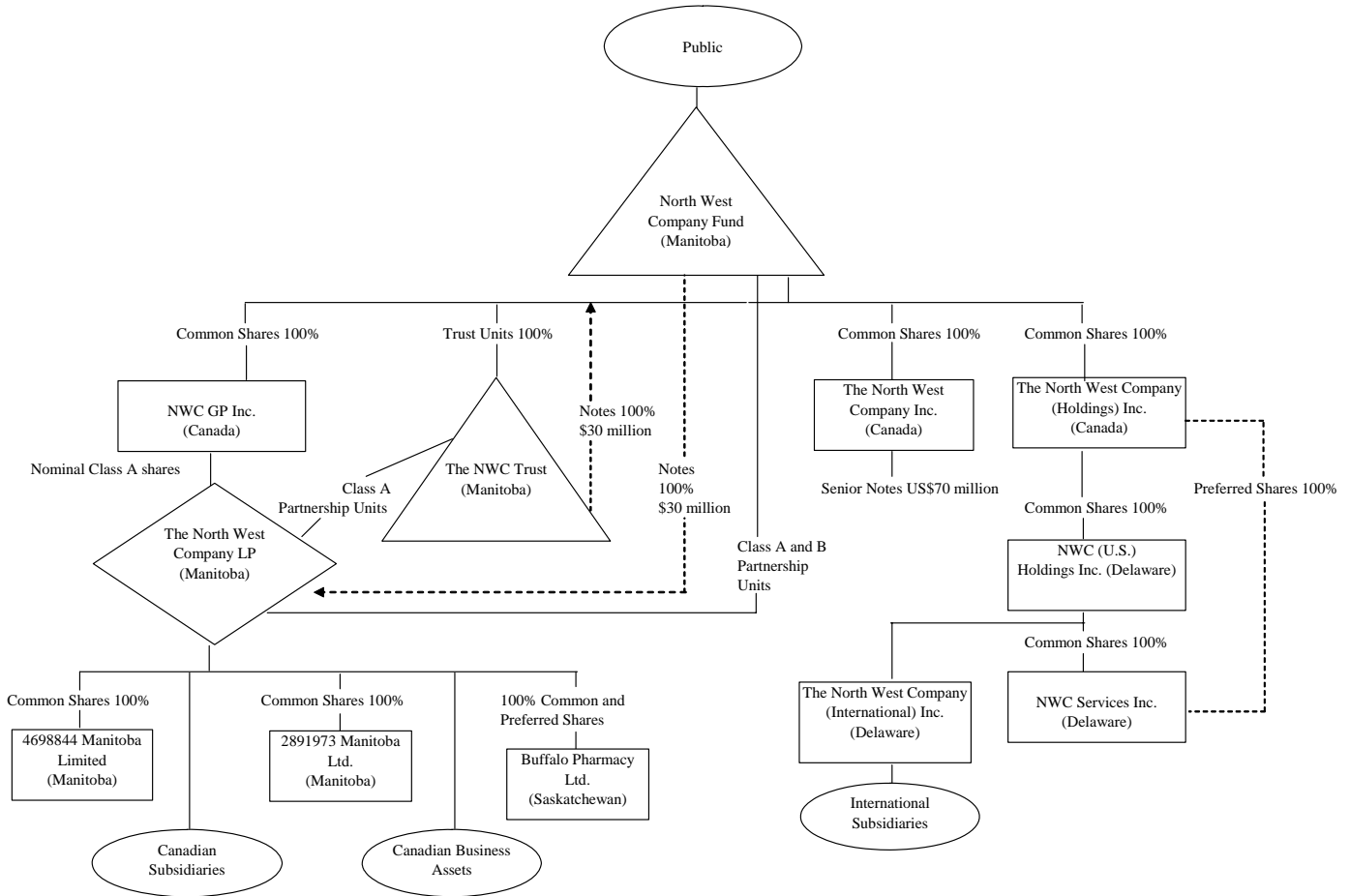
Copies of the AIF, as well as the Fund’s 2009 Annual Financial Report and Summary Annual Report can be obtained at www.sedar.com and at www.northwest.ca.

The head office of the Fund is located at Gibraltar House, 77 Main Street, Winnipeg, Manitoba R3C 2R1.

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Intercorporate Relationships

The following chart illustrates on a simplified basis, the structure of the Fund as at January 31, 2010.



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DISTRIBUTIONS

The determination to declare and make payable distributions from the Fund is subject to the terms of the Declaration of Trust and is at the discretion of the Board of Trustees.

In 2009, the Fund declared distributions of \$66.8 million or \$1.38 per unit an increase of 2.2% compared to \$65.3 million or \$1.35 per unit declared in 2008. The following table shows the quarterly cash distributions per unit declared since 2007:

Cash Distributions per Unit (\$)				
Date of Declaration	2010	2009	2008	2007
First Quarter	0.34	0.32	0.32	0.22
Second Quarter	-	0.32	0.32	0.27
Third Quarter	-	0.34	0.32	0.27
Fourth Quarter	-	0.34	0.32	0.27
Special	-	0.06	0.07	0.12
Total	0.34	1.38	1.35	1.15

The Fund's distribution policy is to make distributions to Unitholders equal to the taxable income of the Fund. Historically, distributions from the Fund represented taxable income and did not include a return of Unitholder capital. Management believes distributions in 2010 will continue to represent taxable income.

In determining the quarterly distributions, the Trustees consider, among other factors, the seasonal variations in earnings inherent in the retail industry in order to maintain stable distributions throughout the year. On an annual basis, distributions are funded by cash flow from operations. Due to the seasonal nature of the retail business, whereby income and cash flow is historically lower in the first quarter and higher in the fourth quarter, distributions in a quarter may exceed cash flow from operations. The taxable income of the Fund is primarily based on an allocation of the taxable income of NWCLP less Fund expenses. In addition to the quarterly distributions, a special year end distribution will be declared to Unitholders if the taxable income of the Fund exceeds the cumulative distributions for the year.

The Fund's Senior Notes and other senior indebtedness stipulate that the Fund shall not pay cash distributions or undertake a return of capital to Unitholders when such payment will, on a post payment basis, result in a breach of the financial covenants contained in the loan agreements or in the "Event of Default" resulting from a failure of the Fund to repay amounts owing under these credit facilities.

GENERAL DEVELOPMENT OF THE BUSINESS

The Fund, through its subsidiaries and affiliates, is a leading retailer of food and everyday products and services to rural communities and urban neighborhoods in Canada, Alaska, the South Pacific and the Caribbean.



The Fund (through its operating entities) operates 226 stores across Canada, the United States (mainly in the state of Alaska), in certain United States Territories, and in certain countries in the Caribbean and in the South Pacific under the banners of Northern, NorthMart, Giant Tiger (“GT”), AC Value Centers (“AC”) and Cost-U-Less (“CUL”).

History

The history of The North West Company dates back to 1668, when the Hudson’s Bay Company received its Royal Charter and began establishing fur-trading outlets throughout what is now northern Canada. In 1821, the Hudson’s Bay Company merged with its rival NWC, which federation of partners commenced operations in 1779. Over time, the original fur-trading outlets diversified their product lines and eventually became the Northern Stores division of the Hudson’s Bay Company (“Northern Stores”). In 1987, Northern Stores was sold to a management and private investor group. Shares of the successor to Northern Stores, NWC were listed for trading on the Winnipeg and Toronto Stock Exchanges in 1990, and a public offering was made in 1992. Later that year, NWC bought Alaska Commercial Company that traces its roots back to the Russian-American Company which was a semi-official colonial trading company started by Grigory Shelikhov and Nikolai Rezanov and chartered by Tsar Paul in 1799. In 1997, NWC was reorganized pursuant to a plan of arrangement and the outstanding shares in NWC were effectively exchanged on a one-for-one basis for Trust Units of the Fund. On January 27, 2005, NWC transferred its interest in Alaska Commercial Company, to its wholly owned subsidiary, NWCUSHoldco. On April 30, 2006, NWC transferred its operating assets and the operating assets of its wholly owned subsidiary Tora Western Canada Limited to a newly formed limited partnership, NWCLP. On June 5, 2007, as a result of the reorganization, NWC, Tora Western Canada Limited, 4431227 Canada Inc., and Tora Regina (Tower) Limited amalgamated to form a new corporation named “The North West Company Inc. / La Compagnie du Nord-Ouest Inc.”. On December 13, 2007 NWCUSHoldco, a subsidiary of NWHoldco, acquired Cost-U-Less, Inc. On March 3, 2008, Alaska Commercial Company, a wholly owned subsidiary of NWCUSHoldco, acquired Span Alaska Enterprises, Inc. On December 16, 2008, the corporate name of Alaska Commercial Company was changed to The North West Company (International) Inc. and its corporate registration was transferred from Alaska to Delaware. On December 31, 2008, Span Alaska Enterprises, Inc. and Cost-U-Less, Inc. were merged with The North West Company (International) Inc., with the amalgamated entity being named The North West Company (International) Inc. (“NWCI”).

Developments for 2007

In December 2007, the Fund, through its U.S. subsidiary, NWCUSHoldco, acquired all of the issued and outstanding shares of CUL, an operator of 11 mid-size warehouse stores in remote island communities in Hawaii, the South Pacific and the Caribbean for a purchase price of US\$53 million. An additional CUL store was opened on the Cayman Islands in mid-December 2007, followed by the purchase of Hita Supermarket on Guam, which re-opened in 2009 once renovations were complete. The Fund is giving consideration to this new format to its use in other markets as part of its expansion program. An additional seven Giant Tiger stores and one Northern store were opened in Canada in 2007.

The Fund continued to develop its growth in the provision of pharmacy services to remote markets in Canada via its in-store pharmacies, telepharmacies and hub pharmacies program. The Fund opened four in-store pharmacies, one telepharmacy and one hub pharmacy in 2007.



Development of private store brands and the repositioning of merchandise selection in both food and general merchandise to meet the needs of the Fund's markets were ongoing through offshore direct buying, and continued alliances.

The Fund continued to test wholesale concepts and has established a field operation to test various wholesale strategies.

Developments for 2008

The Fund continued to refine its decentralized approach to community retailing. This encompasses the principles of being customer driven and tailoring the product and service assortment to meet the needs of the community. The Fund also continued to work on its pharmacy growth initiative and opened a telepharmacy in northern Canada and a full-service pharmacy in Winnipeg.

During the year NWCLP reclassified one store from Northern to a new format SOLO Market store, closed two stores and opened six new stores: three Giant Tiger Stores, two Northern stores and a Quickstop. NWCI closed one AC Value Center. The SOLO Market concept store was developed to test product assortment strategies in road accessible communities of less than 5,000 people. The Fund continued to test other store formats and assess wholesale business opportunities.

In 2008, operational initiatives included the integration of CUL, improving general merchandise inventory productivity in northern retail banners, initiatives to integrate wholesale activities, improve warehouse efficiencies, and leadership development.

On March 3, 2008, Alaska Commercial Company acquired Span Alaska Enterprises, Inc. a distributor of food and general merchandise to independent grocery stores in rural Alaska.

In the International operations, Alaska Commercial Company changed its name to "The North West Company (International) Inc." and merged with Cost-U-Less, Inc. and Span Alaska Enterprises, Inc. with the amalgamated company named "The North West Company (International) Inc."

Developments for 2009

The Fund continued the development of store selling and control capability in the Northern Canada Retail Division, and as a result, inventory shrinkage and controllable store operating expenses met targets. A total of 147 new store brand products were also launched in the year.

During the year, the Fund opened two new Giant Tiger stores in Canada. In our international operations, new stores included one AC Value Centre, and one Quickstop in Alaska, and our first store under the "Island Fresh" banner was opened in Chalan Pago, Guam.

The Fund also focused on warehouse improvements in 2009. Warehouse processing and shipping schedules were realigned in February, 2009. A warehouse management system was implemented mid-year with the anticipated benefits starting to be realized at the end of the year. The Alberta warehousing facility was transferred from Calgary to Edmonton to improve services to the stores.

Operating initiatives for the Fund's International Operations included the integration of CUL merchandising systems, and the procurement and marketing function between AC and CUL was consolidated into our NWCI Bellevue, Washington office. In addition, two warehouse operations in



Anchorage, Alaska were consolidated into one facility, and a distribution centre in Monroe, Washington was replaced by a better suited facility at the Port of Tacoma, Washington.

The branding, sales systems, and distribution integration of Span Alaska Enterprises, Inc. and Frontier Expeditors was completed in February, 2010, under the new name of Pacific Alaska Wholesale.

On June 15, 2009, the Fund successfully closed a private placement offering of US\$70 million 6.55% Senior Notes, which mature on June 15, 2014.

Developments of 2010

Effective on January 1, 2011, subject to Unitholder, regulatory, and other third party approvals, the Fund intends to convert from an income trust back to a share corporation. This restructuring is in response to changes in the income tax legislation whereby a new entity-level tax on distributions from certain income trusts, such as the Fund, will be imposed commencing January 1, 2011. As a share corporation, we will continue to deliver returns to investors based on a combination of yield and growth. Upon converting to a share corporation, the Fund intends to pay dividends of approximately the after-tax amount of the quarterly distributions prior to conversion with the balance of the after-tax cash flow reinvested to sustain and grow our business. These allocations are consistent with our current practice under the income trust structure.

2010 sales are expected to be generally stronger, led by our Canadian business. The contributing factors should be the momentum of the Canadian economic recovery, as reflected by government infrastructure investment and recovery in natural resource development spending. Durable goods sales are also expected to recovery modestly due to customer replacement needs.

Sales and margin pressure are expected to continue within NWCI's CUL banner due to ongoing weakness in the tourism sector coupled with more intense competition. NWCI's other major market, Alaska, is expected to demonstrate the recovery characteristics of our Canadian business, although to a lesser degree.

Net earnings will be affected by several other factors, most notably higher pension expense in Canadian Operations due to the interest rates used to determine pension liabilities, expected higher floating interest rates and continuing health insurance cost pressures at NWCI. The strengthening of the Canadian dollar in the fourth quarter of 2009 is expected to carry forward into 2010 and, if this occurs, there will be a negative effect on the conversion of U.S. denominated NWCI sales and earnings.

DESCRIPTION OF THE BUSINESS

General

The Affiliated Entities of the Fund are grouped into the Canadian operations and International operations with the main operating entities being NWCLP and NWCI respectively (collectively the "Fund"). References to the "Fund" include where the context requires, the Fund and its Affiliated Entities.

The Fund is a leading retailer of food and everyday consumer goods and services to rural communities and urban neighborhoods in Canada, Alaska, the South Pacific and the Caribbean. The Fund operates 226 retail stores that offer a broad assortment of food, general merchandise and other everyday products and services such as gasoline, cheque cashing and money transfers. The Fund also operates complementary businesses, including food wholesale, fur and Inuit art marketing.



For the fiscal year ended January 31, 2010, total revenues of the Fund were approximately \$1.444 billion, of which Canadian operations accounted for approximately 64% and International operations accounted for approximately 36%. For the fiscal year ended January 31, 2009, total revenues were \$1.393 billion.

At January 31, 2010, 6,903 people were employed by the Fund and its Affiliated Entities, including 1,545 people in International operations.

Canadian Operations

The Canadian operations consist of the following:

- **127 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **31 Giant Tiger** junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centres in western Canada;
- **7 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;
- **11 Quickstop** convenience stores, offering ready-to-eat foods, petroleum products and related services;
- **1 Valu Lots** clearance center;
- **1 Solo Market** test store, targeted at less remote, rural markets;
- **Crescent Multi Foods**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **2 North West Company Fur Marketing** outlets, trading in wild furs and offering Aboriginal handicrafts and authentic Canadian heritage products; and
- **The Inuit Art Marketing Service**, Canada's largest distributor of Inuit art.

These outlets are located in 153 communities across the Canadian north and in urban centers across western Canada. The communities range in size from small, remote settlements with populations as low as approximately 300 people to larger, regional centers with populations of up to 15,000 people and to urban centers situated across western Canada. The average store size has approximately 7,500 square feet of selling space and features a broad assortment of food, general merchandise and services.

Northern and NorthMart stores food offerings consist of perishable and non-perishable products including groceries, dairy products, meat, produce and convenience/fast-food services, and health and beauty aids. General merchandise consists of family apparel, housewares, sporting goods, toys, hardware, furniture, appliances and home entertainment products, boats, outboard motors, canoes, all-terrain vehicles and snowmobiles. Pizza Hut, Burger King, KFC, and A&W outlets are also located in select Northern and NorthMart stores. Services include cheque cashing, cash cards, income tax preparation, ATM's, money transfers, bill payment, and gasoline sales. Stores may also feature a post office, fast food franchise or a pharmacy. Quickstop convenience stores offer ready-to-eat foods, petroleum products and related services. Other retail formats include SOLO Market, which is a full service grocery with a community focused product assortment and pharmacy serving road accessible communities of typically less than 5,000 people and Valu Lots which is a discount clearance center.

The Fund is pursuing a strategy of entering into alliances with leading specialty retailers, distributors and service providers to broaden its product and service offerings while leveraging its convenient locations. To date, the Fund has established alliances with Dufresne Furniture and Appliances, TruServ Canada Inc. (in the hardware category) and Sobey's (food distribution in eastern Canada). Management believes that



these alliances have been positive in delivering stronger product and service offerings to customers at lower costs.

In 2002, the Fund signed a 30-year master franchise agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Fund the exclusive right to open Giant Tiger stores in western Canada. Giant Tiger is a junior discount retail store offering family fashion, household products and food to urban neighbourhoods and larger rural centers. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administrative support to the Fund's Giant Tiger stores in return for a royalty based on sales. The Fund is responsible for opening, owning, operating and providing distribution services to the stores. The Fund's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at January 31, 2010 the Fund has opened 31 Giant Tiger stores and is in compliance with the terms of the agreement.

In addition to its retail operations, the Fund operates complementary businesses that apply its unique heritage and knowledge of the north. These include: (i) the Fur Marketing Division, which purchases furs from trappers and sells aboriginal crafts and outerwear to the local and tourist retail market from two trading posts; (ii) the Inuit Art Marketing Service, which procures and markets carvings from Native artisans and is the largest Inuit art marketing service in Canada; and (iii) Crescent Multi Foods, which is a full-line produce and fresh meat distributor, serving the Fund's stores and third-party customers in Manitoba and northwestern Ontario.

International Operations

International operations are conducted through NWCI, a wholly owned subsidiary of NWCUSHoldco. NWCI operates the following stores:

- **29 AC Value Centers**, stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **4 Quickstop** convenience stores;
- **Pacific Alaska Wholesale** (formerly *Frontier Expeditors* and *SPAN Alaska*) a leading distributor to independent grocery stores and individual households in rural Alaska;
- **12 CUL** mid-size warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- **1 Island Fresh Supermarket**, neighborhood stores offering convenience with an emphasis on fresh and prepared foods.

The average selling square footage of the AC Value Center stores is approximately 10,000 square feet. The International Operations also include Pacific Alaska Wholesale, which provides wholesale bulk foods services to independent retailers and businesses in Alaska.

The CUL stores are mid-sized warehouse club style retail stores located in the South Pacific and Caribbean. CUL stores offer a variety of U.S. branded food and general merchandise in addition to merchandise purchased locally. The average selling square footage of the CUL stores is approximately 28,000 square feet.

The International Operations represent 36.2% of consolidated Fund revenues, 26.5% of consolidated net earnings before interest and income taxes and 29.9% of consolidated assets. Additional financial information on the International operations is available in the 2009 Management's Discussion & Analysis



and Consolidated Financial Statements report filed on SEDAR at www.sedar.com and on the Fund's website at www.northwest.ca.

Distribution and Infrastructure

NWCLP operates a distribution centre in Winnipeg, Manitoba and has a third party managed distribution facility in Edmonton, Alberta. AC operates a distribution centre in the Port of Tacoma, Washington and a distribution centre in Anchorage, Alaska. CUL operates a distribution centre in San Leandro, California, and uses other third party facilities in Florida, California, Australia and New Zealand.

Due to the vast geography of the store network, transportation is an important element of operations. Ninety-five (95) stores in Canada are inaccessible by all-weather roads. All of the AC stores are serviced by air or water transportation. Eleven (11) CUL stores rely on air and long haul water transportation. All available modes of transportation including sealift, long haul water transportation, barge, trucks including via winter roads, rail and air are used. NWHoldco owns a 50% interest in Transport Nanuk Inc., a shipping company servicing the eastern Arctic.

The Fund's operating subsidiaries own, in the aggregate, 135 stores in addition to employee residences and staff houses. The balance of the stores are leased facilities.

In Canada, NWCLP sources both food and general merchandise through its head office in Winnipeg, Manitoba, a buying office for fashion in Montreal, Quebec, and through its corporate alliances. In the International operations, NWCI sources food and general merchandise for its Alaskan operations from local distributors and manufacturers as well as from the lower 48 U.S. states through a buying office in Bellevue, Washington. NWCI sources food and general merchandise for CUL stores from local distributors and manufacturers and other foreign entities through a buying office in Bellevue, Washington.

In addition to manufacturers in Canada and the U.S., the Fund also sources general merchandise from China.

Financial Services

Customers are offered convenient, local access to a wide variety of financial services. Northern, NorthMart and AC Value Center stores each offer a revolving credit card for day-to-day purchases, similar to those offered by major department store chains. An extended payment program is also available to finance large dollar (big-ticket) purchases at the stores. In addition to revolving credit, these stores also offer financial services such as ATMs, cheque cashing, debit card cash withdrawal, cash transfer, bill payment, personal income tax preparation, money order, CashLink and gift card services.

Most of the day-to-day credit decisions are centralized, freeing up the store manager's time for the marketing of products and services. The store manager's knowledge of the local economic conditions and their personal acquaintances with their customers continues to provide valuable input into the credit decision process. Credit provided on the extended payment program for big-ticket purchases is approved at the Fund's head office. A central credit management system allows continuous monitoring of account activity and balances at the head office so that credit specialists can provide advice to the store managers. The allowance for doubtful accounts is adjusted monthly to reflect the changes in the currency of outstanding balances.

Markets

The Fund operates 124 stores in smaller, remote Canadian and Alaskan communities inhabited principally by First Nations, Métis, Inuit and Natives. These markets range in population from 300 to 3,700 people and are generally not accessible by all-weather roads. These communities generally have a stable income base, which is dependent on government spending through social assistance and public sector employment in schools, health services, local government and public works projects. Income levels are also influenced by activities such as fishing, resource exploration, pipeline construction, tourists and hydro electricity development and related construction activity. The 12 CUL stores and 1 Island Fresh store are situated in markets ranging in populations from 7,700 to 168,000 people with an average population of 41,000 people. These stores range in size from 19,500 square feet to 35,500 square feet (selling area) with the average square footage being approximately 28,000 square feet. These markets rely on foreign aid, tourism, fishing, natural resources and resource development.

There are 89 stores operated by the Fund in less remote, regional communities that are generally accessible by all-weather roads. These markets range in population from 1,000 to large urban centers. The economies of these communities are more diverse and income levels are higher than those of the more remote locations. Major sources of employment are in manufacturing, government services, transportation, health care, tourism and natural resources.

Stores and Other Facilities

The following table sets out the number of stores, the location of stores by region and whether the stores are owned or leased as at January 31, 2010.

Region	Number of Stores	Owned (1)	Leased
Alberta	14	4	10
British Columbia	4	2	2
Labrador/Newfoundland	5	5	0
Manitoba	41	21	20
Nunavut	28	23	5
Northwest Territories	20	17	3
Ontario	26	13	13
Quebec	17	16	1
Saskatchewan	24	15	9
Yukon	1	0	1
Total Canadian Stores	180	116	64
Alaska	33	16	17
California	1	0	1
Caribbean	5	2	3
South Pacific	7	1	6
Total International Stores	46	19	27
Total Stores	226	135	91

(1) Of these stores, 45 are located on leased land pursuant to ground leases.



The following table summarizes the number of stores and selling square footage under the retail formats as at January 31, 2010.

	Number of Stores		Selling Square Footage	
	2009	2008	2009	2008
Northern	127	127	720,773	718,690
Northmart	7	7	148,306	152,141
Quickstop	15	14	28,571	24,463
Giant Tiger	31	29	509,078	479,660
AC Value Centers	29	28	290,403	271,892
Cost-U-Less	12	12	336,138	336,138
Other Formats	5	4	42,841	29,611
Total at end of year	226	221	2,076,110	2,012,595

In the Giant Tiger group, two stores were opened. One AC Value Centre and one Quickstop were opened in Alaska, and our first store under the Island Fresh banner was opened in Chalan Pago, Guam.

Selling areas of stores in remote communities in Canada and Alaska range in size from 900 sq. ft. to 14,600 sq. ft. In regional and urban communities in Canada and Alaska, selling areas range from 3,000 sq. ft. to 35,000 sq. ft. In the CUL stores, selling areas range from 19,500 sq. ft. to 35,500 sq. ft. The Fund owns employee residences and staff houses, which are typically located adjacent to the more remote store locations.

Competition

In the vast majority of the northern and remote communities that it serves, the Fund's stores are the dominant providers of food, everyday and seasonal general merchandise and financial services and enjoy a leading competitive position supported by high barriers to entry. Local competition consists of stores operated by independent store owners and local co-operatives, some of which are associated with regional or national buying groups. Many of the Fund's stores enjoy strong local loyalties through established customer relationships. The strength of independent store competition varies considerably depending on the management skills, financial strength and scale of local operators. Additionally, the commitment of local staff to the store and to customer relationships and the ability to maintain consistent standards are other key factors that influence their success. In Canada, all of the communities in which the Fund operates have access to mail order catalogue and direct mail services such as those provided by Sears Canada, Wal-Mart, Costco and smaller regional and specialized competitors. In the International operations this type of competition is more intense and includes catalogues and direct sales material from retailers such as Safeway, Wal-Mart and Sears. The CUL stores face equally highly competitive discount and grocery retailers such as Wal-Mart, Costco and Kmart.

The stores also face competition (in varying degrees based upon the specific market location) from non-independent stores, including traditional department stores, big box retailers, discount department stores and specialty stores. AC Value Center competes directly with Safeway or its subsidiaries in two markets and Wal-Mart in one market. The Giant Tiger stores are located in larger rural and urban markets and compete against major discount chains, food stores and department store formats. CUL's competition includes local, national and international grocery store chains and other warehouse clubs and discount retailers.



Investing Activities

Financial information on the Fund's capital expenditures is included in the Fund's Management's Discussion & Analysis and Consolidated Annual Audited Financial Statements, both for the fiscal year ended January 31, 2010 and filed on SEDAR at www.sedar.com and on the Fund's website at www.northwest.ca.

Management of Sales and Operations

Each store employs a full-time manager who has the primary responsibility to monitor daily operations, maximize selling opportunities and safeguard the Fund's assets. All stores have direct access to sales and operations development, procurement and marketing, logistics, accounting, finance, human resources, information technology, store development and real estate services provided by our support offices located in Anchorage, Alaska, Bellevue, Washington and Winnipeg, Manitoba.

Northern, NorthMart, and Quickstop banners are managed within four regions, each of which is managed by a General Manager under the leadership of an Executive Vice President. One region is led by a general manager and a specialist support team. The remaining three regions are divided into districts, with each district led by a district manager supported by a human resources manager.

The general managers are responsible for the store level execution of corporate strategies, policies and programs. The general managers contribute to the development of corporate strategies by providing front line feedback from daily contact with staff, customers and communities.

The 31 Giant Tiger stores are managed by the Vice President and General Manager Giant Tiger West along with two specialist support teams and assistance from Giant Tiger Stores Limited.

The International operations are under the leadership of the President and COO who is based out of Anchorage, Alaska. The retail sales and operations personnel of AC Value Centers, CUL and Pacific Alaska Wholesale each report to a Vice President and General Manager.

Employees

At January 31, 2010, the Fund employed 6,903 people, including 1,545 in International operations. Of these, approximately 2,285 are aboriginal and of the aboriginal employees, approximately 183 hold managerial positions. The Fund is active in the recruitment of aboriginal and indigenous peoples for positions in stores, corporate and distribution centers.

Training and development of employees is also a major focus of the Fund. Particular attention is being paid toward enhancing food expertise within store operations and with those who have category management responsibilities. As part of a "Best Practice" training initiative new operational processes have been identified and documented at store level. The sales and operations teams for Canada and International operations are accountable for providing training on best practices to the store managers and their teams and for ensuring compliance with operational standards. The Fund is also recruiting more senior people for store operations positions through the Manager-In-Training and the Department Manager-in-Training programs. This provides training to experienced store managers and department managers as to operating processes prior to managing a store or a department within a store.



Customers

The primary customer segment consists of lower-income shoppers residing in remote and urban neighborhood communities across Canada and Alaska. The typical customer's income depends on wage income, direct and non-discretionary government transfer payments or regional government program funding. In smaller, more remote communities, this group's spending is also influenced by the availability of seasonal employment opportunities, which are typically created by government-funded construction and infrastructure projects. The shopping needs of this customer group mainly consists of necessity food and everyday basic general merchandise and are influenced by the challenging climate and logistics conditions that exist in these communities. The urban Giant Tiger customers are somewhat less dependent upon government funding but still exhibit similar shopping needs. CUL's customers come from a variety of ethnic groups who demand products in sync with the ethnicity of each culture along with U.S. branded products and other internationally available products. Income levels of CUL's customers range from lower-income to the affluent. In several CUL markets, the economy is dependent on tourism, resource development and government subsidies.

Secondary target customers also include quality and selection-driven shoppers and younger "trend-driven shoppers". Food and general merchandise assortments aimed at these shoppers consist of fashion and lifestyle products similar to those offered by retailers in urban markets.

Intangible Properties

The Fund has established procedures to protect trademarks and the design presentations associated with the trademarks which are material to the business. The registrations for trademarks, intellectual property rights and domain names are renewable. Procedures are in place to ensure timely renewals so that these registrations are in effect indefinitely.

Seasonality

The Fund's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns. As a result, a disproportionate amount of total sales and earnings are typically earned in the fourth quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

Environment

The Fund and its Affiliated Entities are subject to environmental regulations pursuant to federal, provincial and state legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances handled. A breach of such legislation may result in the imposition of fines and penalties. To ensure that compliance is in accordance with applicable environmental laws, the Fund retains environmental consulting engineers. The Vice President, Real Estate and Store Planning also reports quarterly to the Board of Trustees on environmental matters.

The Fund is committed to meeting its responsibilities to protect the environment wherever it operates and annually budgets expenditures of both a capital and expense nature to meet the increasingly stringent laws relating to the protection of the environment. The Fund believes it is in substantial compliance with



applicable environmental laws and regulations and does not believe the expenditures will have a material effect on capital expenditures, earnings or its competitive position.

Reorganizations

In 2007, the Fund completed a two step reorganization amending the Fund's structure from a "trust on corporation" structure to a "trust on trust on partnership" structure. Details respecting the nature of this reorganization are set forth in the Fund's Annual Information Form for the years ended January 31, 2006, January 31, 2007 and January 31, 2008, and Management's Information Circular dated April 21, 2006, all of which are filed on SEDAR at www.sedar.com and on the Fund's website at www.northwest.ca.

Debt Financing

Senior Notes

On June 15, 2009, NWC issued Senior Notes for an aggregate amount of US\$70.0 million, which mature on June 15, 2014. The Senior Notes are placed with two large U.S. based insurance companies. The net proceeds of the Senior Notes offering were used to retire senior debt of NWC that matured on June 15, 2009, to reduce bank debt and for general corporate purposes. The notes are secured by a floating charge against the assets of the Fund. The Fund has entered into an interest rate swap resulting in floating interest costs on US\$28.0 million of its senior notes.

Other Senior Indebtedness

The Fund's Canadian operations have available extendible, committed, revolving loan facilities of \$140.0 million that mature on December 31, 2011. These facilities are secured by a floating charge against the assets of the Fund and rank *pari passu* with the Senior Notes. As at January 31, 2010, the Fund had drawn \$72.9 million on these facilities.

The Fund's international operations have available committed non-revolving loan facilities of US\$52.0 million that mature on December 31, 2010. These facilities are secured by a floating charge against the assets of the Fund and rank *pari passu* with the Senior Notes. As at January 31, 2010, the Company has drawn US\$52.0 million on these facilities.

International operations have available demand, revolving loan facilities of US\$15.0 million secured by a floating charge against certain accounts receivable and inventories of the International operations. As at January 31, 2010, the International operations had drawn US\$293 thousand on these facilities.

Security for Senior Notes and Other Senior Indebtedness

The Senior Notes and Other Senior Indebtedness are secured by the following: (i) NWC has granted a security interest in all of the present and future property, both real and personal, of NWC (including all units held by NWC in NWCLP) to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (ii) NWC has guaranteed all debts, obligations and liabilities of NWCLP to the banks and the holders of the Senior Notes; (iii) the Fund has guaranteed payment of all debts, obligations and liabilities of NWC or any of its subsidiaries evidenced by or in connection with the Other Senior Indebtedness; (iv) the Fund has guaranteed to the holders of the Senior Notes the payment of all amounts owing under the Senior Notes by NWC; (v) the Fund has granted as security for the payment



and performance of all debts, obligations and liabilities of the Fund to the banks and the holders of the Senior Notes, all shares (including, without limitation, all shares in the capital of NWC and NWHoldco) and all limited partnership units in NWCLP held by the Fund; (vi) NWCLP has granted a security interest in all of the present and after-acquired personal property and undertaking of NWCLP to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of NWCLP and NWC to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (vii) NWCLP has guaranteed all debts, obligations and liabilities of NWC, NWHoldco, and NWCUSHoldco to the banks and the holders of the Senior Notes; (viii) NWCGP has granted a security interest in all of the present and after-acquired personal property and undertaking of NWCGP to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of NWCGP and NWC to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (ix) NWCGP has guaranteed all debts, obligations and liabilities of NWCLP and NWC to the banks and the holders of the Senior Notes; (x) NWCT has granted a security interest in all of the present and after-acquired personal property and undertaking of NWCT (including all units held by NWCT in NWCLP) to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of NWCT and NWC to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (xi) NWCT has guaranteed all debts, obligations and liabilities of NWC to the banks and the holders of the Senior Notes; (xii) NWCT has guaranteed all debts, obligations and liabilities of NWCLP to the banks and the holders of the Senior Notes; (xiii) NWHoldco has granted a security interest in all of the present and after-acquired personal property and undertaking of NWHoldco (including all shares held by NWHoldco in NWCUSHoldco and NWCSI) to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of NWHoldco and NWC to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (xiv) NWHoldco has guaranteed all debts, obligations and liabilities of NWC to the banks and the holders of the Senior Notes; (xv) NWCI has granted a security interest in all of the present and future property, both real and personal, of NWCI to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever to the banks and to any of the senior noteholders in connection with the Senior Notes and Other Senior Indebtedness; (xvi) NWCI has guaranteed all debts, obligations and liabilities of NWC to the banks and the holders of the Senior Notes; and (xvii) a subordination agreement between the Fund, NWC and the banks and the holders of the Senior Notes that, among other things, subordinates the Note Receivable to the Senior Notes and Other Senior Indebtedness.

The Senior Notes and Other Senior Indebtedness are subject to the satisfaction of certain conditions, which are usual and customary for loans of this nature. The holders of the Senior Notes and Other Senior Indebtedness have appointed Bank of Montreal as security agent to hold all security jointly.

RISK FACTORS

Risks affecting business and the Trust Units of the Fund include but are not limited to the following:

Risks Factors Relating to the Trust Units

Income Tax Matters

The Fund accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax base of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax or liabilities



are expected to be realized or settled. The provision for income taxes is recorded in the Fund at applicable statutory rates.

In the ordinary course of business, the Fund is subject to ongoing audits by tax authorities. While the Fund believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Fund regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Fund believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Fund's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to Unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, new legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities (SIFTs) such as the Fund commencing January 1, 2011. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period. The SIFT Rules will result in a reduction in the cash available for distribution to Unitholders by the amount of the tax paid or payable by the Fund and the distributions to Unitholders will be characterized as dividends. In the event that "undue expansion" has occurred, the adverse tax consequences resulting from SIFT Rules could be realized sooner than January 1, 2011.

On March 12, 2009, the SIFT Rules were passed into legislation. This legislation specifies that the SIFT tax rate will be the federal general corporate income tax rate (which is anticipated to be 16.5% in 2011 and 15.0% in 2012) plus the provincial SIFT tax rate. The provincial SIFT tax rate is based on the general provincial corporate income tax rate in each province in which the Trust has a permanent establishment. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula is used. Taxable distributions that are not allocated to any province would instead be subject to a 10.0% rate constituting the provincial component. Based on the application of the SIFT Rules and substantively enacted tax rates, the Fund expects to have an effective tax rate of approximately 30% in 2011 and 28% in 2012.

Amendments to the SIFT Rules include rules (the "Conversion Rules") which facilitate the tax-deferred conversion of publicly-traded income trusts into publicly-traded corporations, provided that certain conditions set out therein are met, including that the conversion occur before 2013.

Management and the Board of Trustees have reviewed the impact of the SIFT Rules and the related tax implications on the Fund. Our current assessment is that the Fund should remain structured as a trust until January 1, 2011 at which time we expect to complete a tax deferred conversion into a publicly-traded share corporation. The conversion to a publicly-traded share corporation is subject to approval by Unitholders as well as customary court, regulatory approvals and third party approvals.

Nature of Trust Units

The Trust Units do not represent a direct investment in the operations and should not be viewed by investors as shares in the operating entities. Holders of Trust Units do not have the statutory rights normally associated with ownership of common shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions, or rights of dissent such as a right to dissent to certain transactions involving fundamental changes to the Fund, and the right to be paid the fair market value of



their Trust Units. The Trust Units represent a fractional interest in the Fund. The Fund's primary assets are equity securities and debt instruments of its Affiliated Entities. The market price per Trust Unit is expected to be a function of the Fund's anticipated distributable income and the growth in earnings per unit generated by operations, and general investment market conditions.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for holders of Trust Units to liquidate their investments. Notes which may be distributed to holders of Trust Units in connection with a redemption ("Redemption Notes") will not be listed on any stock exchange and no established market is expected to develop for such securities. In addition, Redemption Notes received by Unitholders as a result of a redemption of Trust Units will not be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans. Cash redemptions are subject to limitations.

Distribution of Shares and Notes on Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the assets of the Fund directly to the holders of Trust Units, subject to obtaining all required regulatory approvals. The primary assets of the Fund are common shares and subordinated notes of its Affiliated Entities, which securities are not freely tradable and are not currently listed on any stock exchange. In addition, the securities of its Affiliated Entities are not qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, or registered education savings plans.

Cash Distributions Are Not Guaranteed and May Fluctuate with the Fund's Performance

Although the Fund must distribute its taxable income to Unitholders (except net income which is determined by the Trustees to be required to satisfy any tax liability of the Fund), there can be no assurance regarding the amounts of income generated by the Fund or its affiliates, or that such distributions will be payable in cash. The Fund depends on interest and income generated from its Affiliated Entities to make its cash distributions. The ability of the Fund's Affiliated Entities to service its debt and make other payments to the Fund will depend upon numerous factors, including profitability, third party debt service payments, fluctuations in working capital, interest rates, foreign currency exchange rates, capital expenditures and other factors beyond the control of the Fund and its Affiliated Entities. Cash distributions are not guaranteed and may fluctuate with earnings performance.

Fluctuations in Cash Distributions

A return on an investment in Trust Units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in Trust Units is at risk, and the return on an investment in Trust Units is based on many performance factors. Although the Fund intends to distribute the net income and net realized capital gains of the Fund as determined in accordance with its Declaration of Trust, the actual amount of cash distributed in respect of Trust Units will depend on numerous factors, including the amount of dividends and distributions received by the Fund from its operating subsidiaries, interest income, the expenses and liabilities of the Fund and other factors that may be beyond the control of the Fund. Cash distributions may be reduced or suspended at any time. In addition, the market value of the Trust Units may decline if the Fund is unable to provide a satisfactory return to Unitholders.



Public Market Risk

It is not possible to predict the price at which the Trust Units will trade in the future and there can be no assurance that an active trading market for the Trust Units will be sustained. The Trust Units will not necessarily trade at values determined solely by reference to the value of the Fund's assets. Accordingly, the Trust Units may trade at a premium or a discount to the value implied by the value of the Fund's assets. The market price for the Trust Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Fund.

Risks Factors Relating to the Business

The Fund is exposed to a number of risks in its business. The descriptions of risks below are not the only ones facing the Fund. Additional risks and uncertainties not presently known to the Fund, or that the Fund deems immaterial, may also impair the operations of the Fund. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Fund could be materially adversely affected. While the Fund employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Fund's financial condition and performance. Readers of this AIF are also encouraged to refer to the Fund's Annual Management's Discussion and Analysis and its Management Information Circular which provides further information on the risk factors facing the Fund.

Retail Industry and Economic Downturns

External factors which affect customer demand, and over which the Fund exercises no influence, include general economic growth, inflation, interest rates, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by major retailers may result in more out-shopping by consumers from the Fund's markets which may negatively impact sales and gross profit. Changes in the inflation rate are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings. Although our core customer is a lower income shopper with relatively stable income sources, a recession or significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Consumer Income

Our largest customer segment derives most of its income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, food subsidy programs, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year to year depending on a community's fiscal health, especially near the end of the government budget year. A similar fluctuating source of income is employment related to tourism and natural resource development and extraction activities. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.



Competitive Environment

Despite the remoteness of its markets, there is significant competition. The stores of the Fund compete with stores operated by local village corporations, independent store owners and co-operatives, some of which are associated with regional or national buying groups. These independent merchants maintain market share due to strong local loyalties and established customer relationships. All of the communities in which there are stores of the Fund have access to mail order catalogue, direct mail and internet services such as those provided by Sears Canada, Wal-Mart, and Costco. In the larger communities and in foreign locations, the stores of the Fund compete directly with other national, international or regional retailers such as True Value, Fields, I.G.A./Sobeys, Wal-Mart, Kmart, Price Smart and Costco. Financial performance and results from operations are dependant on the ability to continue to develop and implement strategies to compete with other retailers and to anticipate and respond to changing consumer preferences and merchandising trends in a timely manner.

We have a leading market position in a large percentage of the markets we serve. Sustaining and growing this position depends on our ability to continually identify and pursue new sales opportunities while defending our current positions through a superior value offer to our customers. We actively monitor competitive activity and we are proactive in adjusting and enhancing our value offer elements, ranging from in-stock position to service and pricing.

Community Relations

Approximately 40% of our sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, increased indigenous or Aboriginal participation in our Board of Trustees and direct investment in the Fund by Aboriginal-owned entities.

Government Spending

Financial performance is partly dependent upon the prosperity of communities in northern Canada and within the international markets where the Fund's operating entities transact business. The economy in northern Canada is highly dependent on government spending through social benefits programs, health care, education and public works. The economy in Alaska also benefits from government infrastructure spending and from annual payments to residents from a permanent fund created from oil revenues. In international markets relying on foreign aid there can be no assurance that foreign aid will continue at current levels if at all. The discontinuation of foreign aid would have an adverse effect on some CUL markets.

Dependence on Key Personnel

Retaining and developing high caliber employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Fund's markets, there is significant competition for talent and a limited number of experienced personnel, particularly at the store management level. The degree to which the Fund is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies.



The Fund and its operating entities are also dependent upon its officers and the loss of services of any number of officers could have a material adverse effect on the business, financial condition and results of operations.

In addition to compensation programs that are designed to attract and retain qualified personnel, the Fund also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs and the Fund's in-depth leadership development program, "@NWC". These types of programs are long term change management investments that continue to be refined.

Crude Oil and Other Energy Prices

Compared to other retailers, the Fund is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography of the store network, transportation costs are a significant component of the Fund's expenses. The majority of stores are inaccessible by all-weather roads and as a result, stores are serviced by different modes of transportation including sealift, barge, trucks via winter roads, rail and air. In addition to transportation costs, heating costs also comprise a relatively large portion of the general overhead costs. To the extent that escalating fuel and utility costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices. Consumer spending, especially on discretionary items, may also be adversely affected.

Liquidity

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Fund manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. The global credit crisis and the resulting decrease in the availability of credit may negatively affect the Fund's ability to refinance its debt or meet its obligations as they come due. To the extent the Fund cannot meet its obligations or refinance its debt when it comes due, or can do so only at an excessive cost, may have an adverse effect on the financial condition and results of operations. For further information on credit facilities see "Description of Capital Structure" in this AIF.

Risks of Refinancing

As at January 31, 2010, there is US\$52.0 million in a non-revolving loan facility that matures on December 31, 2010. The Fund expects to refinance this facility. The International operations also have a demand line of credit of US\$15.0 million. The Fund's Canadian operations have a revolving loan facility of \$140.0 million that matures on December 31, 2011. In addition, the Fund (through its subsidiary NWC), issued US\$70.0 million Senior Notes which mature on June 15, 2014. There can be no assurance that the Fund will be able to refinance such borrowings on favourable terms or at all. Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures, as well as all distributions for the year. To the extent that the Fund is not able to refinance its borrowings, it may impact the ability of the Fund and its subsidiaries and affiliates to fund operating requirements, make capital expenditures and pay distributions.



Interest

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk primarily through its long-term borrowings. The Fund manages exposure to interest rate risk by using a combination of interest rate swaps, a mixture of fixed and floating rates and cross-currency interest rate swaps. Interest rate fluctuations are beyond the Fund's control and there can be no assurance that such fluctuations will not have a material effect on business, financial condition and results of operations.

Currency Fluctuations

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk, primarily the U.S. dollar, through its net investment in self-sustaining International operations and its U.S. dollar denominated borrowings. The Fund manages its exposure to currency risk by hedging U.S. denominated borrowings with cross currency interest rate swaps and hedging of a portion of the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings. The Fund is also exposed to currency risk relating to the translation of International operations earnings from U.S. dollars to Canadian dollars. Currency rate fluctuations are beyond the Fund's control and there can be no assurance that such fluctuations will not have a material effect on business, financial condition and results of operations.

Income Taxes

The Fund has a complex structure and financing arrangements. Provisions for income taxes and filings are based on assumptions that management and its tax advisors believe are appropriate but can be subject to review and challenge by tax authorities in Canada, the United States and any other jurisdiction in which the Fund and/or its Affiliated Entities operate. The tax provisions and assumptions may not be adequate if the tax authorities disagree with the positions taken by the Fund and its Affiliated Entities and could result in reassessments of prior years which could have a material adverse effect on the financial condition and results of operations of the Fund and/or its Affiliated Entities. Also see "Risks Relating to the Units – Income Tax Matters".

Management of Inventory

Success in the retail industry is dependent upon the ability to manage merchandise inventories in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others. Excess inventory may result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial condition and results of operations.

Employee Future Benefits

The Fund engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Fund's pension plans and the plan funding requirements are impacted by the returns on plan assets, actuarial valuations and regulatory funding requirements. If negative returns in capital markets occur, the Fund may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse affect on the Fund's financial condition and results of operations.



New Business Strategies

The success of new store growth is dependent on a number of factors, including the availability of suitable store locations or acquisition opportunities, the successful negotiation of acceptable leases or acquisitions, the ability to manage the expansion of the store base, the ability to successfully develop new products and services, the ability to source inventory which meets the needs of the new stores, the development of adequate management information systems, the ability to recruit and train new managers and employees, the availability of capital and general economic and business conditions. The success of the alliance strategy described under “Canadian Operations” above is dependent on a number of factors, such as the ability of the alliance partners to source suitable merchandise, obtain volume discounts, manage inventory and deliver products in a timely manner, and on the relationship between the Fund and its operating entities and its alliance partners.

There can be no assurance that new business strategies will be successfully implemented, or that, if implemented, the strategies will increase profitability.

Litigation

In the normal course of business, the Fund is subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made in the Fund’s financial statements (in the event management believes the Fund will incur liability for such claim or legal action), or for which no material liability is expected. If management’s assessment of its liability for any such claim is incorrect and the Fund is unsuccessful in defending its position, the amount of the judgment or penalty would become an expense in the period such claim was resolved.

Financial Services Business

The financial services operations are an important part of the business of the Fund. There is a risk of customer defaults on credit accounts, particularly following deterioration in the economy. The credit card industry is highly competitive and other credit card issuers may seek to expand or to enter the markets. New federal, provincial and state laws and amendments to existing laws may be enacted to further regulate the credit card industry or to reduce finance charges or other fees or charges applicable to credit card accounts. Deterioration in the financial services business could have an adverse effect on business, financial condition and results of operations.

Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Fund manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Fund does not have any individual customers greater than 10% of total accounts receivable.

Supplier Arrangements

There is a dependency on third parties for the manufacturing and supply of the products for sale. All orders for merchandise and food products are placed by purchase order or personal data terminal and there are no long-term agreements with any manufacturer or supplier. Failure to maintain favourable



relationships with manufacturers or suppliers could have an adverse effect on business, financial condition and results of operations.

Under the alliance initiative of the Fund, buying and distribution activities for some product lines are outsourced through partnerships with non-competing retailers and distributors. The benefit is lower product sourcing costs, improved product sourcing knowledge, a reduction in inventory investment, sales growth and, over the long term, lower overhead expenses. For each alliance entered into, it is important that an effective connection be established with the other organization. The cultural, technology and strategic fit with each partner, and the disruption created by the transition to each alliance, are risks of this initiative. Increased risks are assumed as the volume of business increases with alliance partners, with less direct control over the assurance of their performance than with internally controlled processes.

Information Systems

The Fund relies on information technology to support the current and future requirements of the business. Information technology systems are relied upon to provide essential information to management for decision making. Any significant failure or disruption of these systems could have an adverse effect on the financial condition and results of operations. Furthermore, if the information provided by these systems is inaccurate, the risk of disclosing inaccurate or incomplete information is increased.

Food Safety

The Fund is exposed to risks associated with food safety and product handling. Food sales represent approximately 77% of total Fund sales. In the event of a significant outbreak of a food-borne illness or increased public concerns with certain food products, such events could have an adverse effect on the financial condition and results of operations. The Fund has food preparation, handling and storage procedures which help mitigate these risks. The Fund also has product recall procedures in place in the event of a food-borne illness outbreak, however, the existence of these procedures does not eliminate the underlying risks.

Dependence on Key Facilities

There are six major distribution centers which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and third party managed facilities in Edmonton, Alberta and Miami, Florida. A serious disruption at any of these facilities or those of any of the corporate alliance partners due to fire, inclement weather or otherwise could have a material adverse effect on business, financial condition and results of operations.

Leases

The Fund's operating subsidiaries own, directly or indirectly, the buildings associated with 135 stores. The remaining stores are generally operated under leases. The nature of the leases may limit the ability to respond in a timely manner to changes in the demographic or retail environment at any location.

Insurance

The Fund manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Fund's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially



stable insurance companies as rated by the professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances.

Climate

Weather conditions can play a significant role in the operations of the stores of the Fund's operating subsidiaries. These can range from blizzards to hurricanes and cyclones and these can cause loss of life, damage to and destruction of key stores. Such losses may have an adverse effect on business, financial condition and results of operations. As well, any global warming conditions would have a more pronounced affect, both positive and negative, on the Fund's most northern latitude stores. The stores located in the South Pacific, Caribbean, and coastal areas of Alaska are also at risk from tsunamis which can result in loss of life and destruction of assets.

Laws and Regulations

The Fund is subject to various laws and regulations administered by federal, provincial and foreign regulatory authorities, including but not limited to taxes, duties, currency repatriation, zoning, health and safety, employment standards and licensing requirements. These laws and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Fund may incur significant costs. Failure by the Fund to fully comply with applicable laws and regulations could result in financial penalties, assessments, sanctions, or legal action that could have an adverse effect on the business, financial condition or results of operations.

Ethical Business Conduct

The Fund has a Code of Business Conduct and Ethics Policy with which employees and Trustees are required to acknowledge and confirm their compliance on a regular basis. The Business Ethics Committee monitors compliance with the Code of Conduct policy. The Fund also has a Vendor Information Manual which outlines the Fund's expectations for the ethical conduct of its vendors. Unethical business conduct could negatively impact the Fund's reputation and relationship with its customers, investors, and employees which in turn could have an adverse effect on the financial condition and results of operations.

Vendor and Service Partner Management

The Fund relies on a broad base of manufacturers and suppliers to provide goods and services. Events or disruptions affecting these suppliers outside of the Fund's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact the results of operations. A portion of the merchandise the Fund sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Fund uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however there is no certainty that these risks can be completely mitigated in all circumstances.

Geopolitical

Changes in the domestic or international political environment may impact the Fund's ability to source and provide products and services. Acts of terrorism, riots, and political instability could have an adverse effect on the financial condition and results of operations.



SUMMARY OF THE DECLARATION OF TRUST

The following is a summary of certain material attributes and characteristics of the Trust Units and provisions of the Declaration of Trust, a copy of which is available at www.sedar.com or upon request from the Secretary of the Fund. This summary does not purport to be complete and is qualified entirely by the Declaration of Trust.

Activities of the Fund

The Fund does not conduct an active business but rather distributes to the Unitholders the income (net of expenses) it receives from its Affiliated Entities. The Declaration of Trust limits the activities of the Fund to:

- (a) investing in such securities as may be approved from time to time by the Trustees, including any securities of its Affiliated Entities, provided that the Trustees may not make any investment or use any of the Fund's assets or property in a manner which would result in the Fund not being considered either a "unit trust" or a "mutual fund trust" for the purposes of the Tax Act at the time such investment was made;
- (b) disposing of any part of the assets of the Fund;
- (c) temporarily holding cash and investments for the purpose of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Trust Units and making distributions to Unitholders;
- (d) undertaking such other activities as shall be approved by the Trustees from time to time provided that such business or activity does not result in the Fund not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act; and
- (e) investing the Net Income of the Fund in "Permitted Investments" as shall be approved by the Trustees from time to time.

"Permitted Investments" is defined in the Declaration of Trust to include, among other things, securities of any subsidiary of the Fund and any other securities or investments which may be acquired by the Fund in accordance with the Declaration of Trust.

The Declaration of Trust may be amended or altered from time to time by at least 66 2/3% of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Fund;
- (b) which, in the opinion of the Trustees, provide additional protection for the Unitholders;



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- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders; and
 - (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws.

Trust Units and Special Units

The beneficial interests of the Fund are divided into interests of two classes, described and designated as “Trust Units” and “Special Units”, which are entitled to the rights and subject to the limitations, restrictions and conditions as set out in the Declaration of Trust.

Description of Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Declaration of Trust. As of January 31, 2010, there were 48,378,000 Trust Units issued and outstanding. Each Trust Unit represents an equal fractional undivided beneficial interest in any distribution from and in any net assets of the Fund in the event of termination or winding-up of the Fund. All Trust Units are of the same class with equal rights, privileges and ranking. Each Trust Unit is transferable and entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Fund and distributions on termination or winding-up and the Trust Units are issued as fully paid and non-assessable. Each Trust Unit entitles the holder thereof to one vote at all meetings of Unitholders.

Issuance of Trust Units

The Declaration of Trust provides that Trust Units or rights, warrants or options to acquire Trust Units may be issued at the times, to such persons, for such consideration and on such terms and conditions that the Trustees determine. Existing Unitholders have no pre-emptive rights to subscribe for or purchase any Trust Units. The Declaration of Trust also provides that fractional Trust Units shall not be issued except pursuant to a pro rata distribution of additional Trust Units to all Unitholders in satisfaction of any non-cash distribution, following which the number of outstanding Trust Units will be consolidated such that each Unitholder will hold the same number of Trust Units held before the non-cash distribution. In such case, each certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

Trust Units Recirculation Right

Trust Units may be recirculated at any time at the option of the holders thereof upon delivery to the Fund of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed direction and power of attorney authorizing the Trustees or the recirculation agent, appointed from time to time by the Trustees (the “Recirculation Agent”), to sell such Trust Units on the Unitholders behalf (“Recirculation”) at such price or prices as may be obtained by the Trustees or the Recirculation Agent in their absolute discretion. The holder of Trust Units tendered for Recirculation shall be entitled to receive payment of the gross proceeds received from the Recirculation sale less applicable selling costs including brokerage commissions of the Recirculation Agent, such payment to be made by the Fund or the Trustees or the Recirculation Agent no later than the fifth business day following the end of the month during which the Recirculation sale is effected.



Trust Units Redemption Rights

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Fund, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Trust Units (the “Redemption Price”) equal to the lesser of: (i) 85% of the “market price” (determined in accordance with the Declaration of Trust) of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units are surrendered for redemption (the “Redemption Date”); and (ii) the “closing market price” (determined in accordance with the Declaration of Trust) on the principal market on which the Trust Units are quoted for trading on the Redemption Date.

In certain circumstances, including where the Redemption Price for all Trust Units redeemed in the same calendar month exceeds \$100,000, the Fund may pay a portion of the Redemption Price in promissory notes of NWCT.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada within the meaning of the Tax Act (each, a “Non-Resident” and, collectively, the “Non-Residents”) be the beneficial owners of a majority of the Trust Units and the Trustees shall inform the transfer agent of the Fund (the “Transfer Agent”) of this restriction. The Transfer Agent may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Transfer Agent becomes aware as a result of requiring such declarations as to beneficial ownership that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Transfer Agent may make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident. If notwithstanding the foregoing, the Transfer Agent determines that a majority of the Trust Units are held by non-residents, the Transfer Agent may send a notice to non-resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Transfer Agent may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Transfer Agent with satisfactory evidence that they are not Non-Residents within such period, the Transfer Agent may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale the affected holders shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Trust Units.

The Fund requests a quarterly report showing the ownership ratio of the Trust Units from the Transfer Agent.

Description of Special Units

The Declaration of Trust provides that Special Units of the Fund shall confer upon the holders thereof the same rights as holders of Trust Units and, except as otherwise provided therein, the provisions of the Declaration of Trust applicable to Trust Units shall apply to the Special Units *mutatis mutandis*. The Special Units were created for the purpose of facilitating a reorganization of the Fund, which was



completed on June 5, 2007. In connection with such internal reorganization of the Fund, Special Units were issued to NWC and subsequently cancelled. There are no Special Units issued and outstanding on the date hereof.

The Trustees

Trustees are elected every year as may be determined by a majority of the votes cast at an annual meeting of the Unitholders. The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the Fund assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder of NWC, NWC GP and NWHoldco and as a Unitholder and note holder of NWCT and as a Unitholder of NWCLP; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) managing the affairs of the Fund; (v) ensuring that the restrictions in the Declaration of Trust on non-resident ownership are met; and (vi) declaring distributions from the Fund to Unitholders.

The Declaration of Trust provides for a board of Trustees (the “Board of Trustees” or the “Board”) consisting of a minimum of seven Trustees and a maximum of twelve Trustees.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for, among other matters, the election of Trustees, the appointment of the auditors of the Fund, the approval of certain amendments to the Declaration of Trust, the sale of all or substantially all of the assets of the Fund as an entirety and the termination of the Fund. Meetings of Unitholders will be called and held annually for, among other things, the election of the Trustees and the appointment of auditors of the Fund. A resolution appointing or removing a Trustee or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by at least 66 2/3% of the votes cast at a meeting of Unitholders called for such purpose.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Trust Units then outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.



Description of Capital Structure of the Fund

Trust Units

The Fund has two classes of Trust Units as described above. For details regarding the rights of Unitholders, see “Summary of Declaration of Trust” above.

Unitholder Rights Plan

In order to provide Unitholders with protection from unfair, abusive or coercive takeover strategies and to afford Unitholders and the Trustees adequate time to assess an offer made for the Trust Units and to pursue, explore and develop alternative courses of action in an attempt to maximize Unitholder value, the Trustees adopted a Unitholder Rights Plan dated March 27, 1997, which was subsequently amended as of March 13, 2002, June 9, 2005 and June 11, 2008 (the “Rights Plan”).

Objectives of the Rights Plan

The primary objectives of the Rights Plan are to ensure that, in the context of a bid for control of the Fund through an acquisition of the Trust Units, the Board of Trustees of the Fund has sufficient time to explore and develop alternatives for maximizing Unitholder value, to provide adequate time for competing bids to emerge, to ensure that Unitholders have an equal opportunity to participate in such a bid and to give them adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a securityholder of an issuer that is subject to a bid.

Executive Summary of Key Features

The following is a general summary of the features of the Rights Plan. The summary is qualified in its entirety by the full text of the Rights Plan Agreement dated June 11, 2008 (“the Rights Plan Agreement”), a copy of which is available upon written request of the Fund, on SEDAR at www.sedar.com and the Fund’s website at www.northwest.ca. All defined terms, where used in this summary without definition, have the meanings attributed to them in the Rights Plan Agreement.

(a) Flip-In Event

A Flip-In Event occurs when any Person becomes an Acquiring Person. In the event that a Flip-In Event (which has not been waived by the Board of Trustees) occurs, each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person or a transferee of such a Person, which Rights will become null and void) shall constitute the right to purchase from the Fund, upon exercise thereof in accordance with the terms of the Rights Plan, that number of Trust Units having an aggregate Market Price on the date of the Flip-In Event equal to twice the Exercise Price (the “Exercise Price” being \$50, subject to adjustment), for the Exercise Price (such Right being subject to anti-dilution provisions). A Flip-In Event will result in significant dilution to the Acquiring Person.

(b) Issuance of Rights

One Right has been issued in respect of each Trust Unit outstanding and will be issued with respect to future Trust Unit issuances.

(c) Separation Time

The Separation Time is the close of business on the tenth business day after the earlier of (i) the “Trust Unit Acquisition Date”, which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person; and (ii) the date of the commencement of, or first public



announcement of the intent of any Person (other than the Fund or any Subsidiary of the Fund) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid, so long as such bid continues to satisfy the requirements of a Permitted Bid or Competing Permitted Bid). In either case, the Separation Time can be such later date as may from time to time be determined by the Board of Trustees.

(d) Acquiring Person

In general, an Acquiring Person is a person who is the Beneficial Owner of 20% or more of the outstanding Trust Units.

(e) Beneficial Ownership

In general, a Person is deemed to beneficially own Trust Units actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan, subject to certain exceptions including with respect to certain categories of institutional Unitholders.

(f) Permitted Bid and Competing Permitted Bid

A Permitted Bid is a take-over bid (a "Take-over Bid") made by way of a take-over bid circular and which complies with the following additional provisions:

- (i) the Take-over Bid is made to all holders of record of Trust Units, other than the Offeror;
- (ii) the Take-over Bid contains irrevocable and unqualified conditions that:
 - (A) no Trust Unit shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 60 days following the date of the Take-over Bid and the provisions for the take-up and payment for Trust Units tendered or deposited thereunder shall be subject to such irrevocable and unqualified condition;
 - (B) unless the Take-over Bid is withdrawn, Trust Units may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Trust Units and all Trust Units deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such dates;
 - (C) not less than 50% of the outstanding Trust Units held by Independent Unitholders (i.e.: Unitholders who are not the "Acquiring Person") must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Trust Units; and
 - (D) in the event that not less than 50% of the then outstanding Trust Units held by Independent Unitholders have been deposited to the Take over Bid and not withdrawn as at the date of first take-up or payment for Trust Units under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Trust Units for not less than 10 Business Days from the date of such public announcement.

A Competing Permitted Bid is a Take-over Bid that is made after a Permitted Bid has been made but prior to its expiry and satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 60 days so long as it is open until the later of (i) the earliest date on which Trust Units may be taken-up or paid for under any earlier Permitted Bid or



Competing Permitted Bid that is in existence; and (ii) 35 days (or such other minimum period of days as may be prescribed by applicable law in Ontario) after the date of the Take-over Bid constituting the Competing Permitted Bid.

(g) Supplements and Amendments

Changes that the Board of Trustees, acting in good faith, determine are necessary to maintain the validity of the Rights Plan as a result of any change in any applicable legislation, rules or regulation may be made subject to subsequent confirmation by the holders of Trust Units or, after the Separation Time, the holders of Rights.

The Fund may make amendments to correct any clerical or typographical error. Subject to the above exceptions, after the Rights Plan is approved by Unitholders, any amendment, variation or deletion of or from the Rights Plan and the Rights, is subject to the prior approval of the holders of Trust Units, or, after the Separation Time, the holders of the Rights.

(h) Expiration

The Rights Plan shall remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the Unitholders in the year 2011.

A copy of the complete Unitholder Rights Plan is filed on the SEDAR website at www.sedar.com. A complete copy may also be obtained with a written request to the Corporate Secretary of the Fund.

THE NORTH WEST COMPANY INC.

NWC is authorized to issue an unlimited number of common shares (“Common Shares”). The Fund is the beneficial owner of all of the issued and outstanding Common Shares of NWC.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of the shareholders of NWC and to one vote at such meetings. The holders of Common Shares are entitled to receive any dividends declared on the Common Shares by the board of directors of NWC. In the event of the liquidation, dissolution, bankruptcy or winding-up of NWC or other distribution of its assets among its shareholders, the holders of the Common Shares will be entitled to share equally in all remaining assets of NWC.

Note Receivable

NWC issued an amended and restated promissory note (the “Note Receivable”) to the Fund as of December 31, 2001. The Note Receivable has a principal amount of \$30.0 million and bears interest at 13.0% per annum, payable quarterly on the last day of March, June, September and December and matures on December 31, 2031. On April 30, 2006, the Fund assigned the Note Receivable to NWCT in exchange for a note of equal value from NWCT. On April 30, 2006, NWCT assigned the Note Receivable to NWCLP. On June 5, 2007, the liability for the Note Receivable was assumed by the Fund as part of a purchase agreement between NWC and the Fund whereby the Fund purchased all of the Class A and Class B units of NWCLP, all of the common shares of NWHoldco, all of the common shares of 4431235 Canada Inc., and NWC’s right, title and interest in the proceeds from the subscription by the Fund for 48,378,000 Class A common shares in the capital of 4431227 Canada Inc.



THE NWC TRUST

NWCT was formed pursuant to a Declaration of Trust dated February 15, 2006. NWCT is an open end unincorporated trust, established for the purposes of:

- (a) acquiring, investing in, transferring, disposing of and otherwise dealing with debt and equity securities of NWCLP and all businesses (“NWC entities”) and activities ancillary or incidental thereto and such other investments as the trustees may determine;
- (b) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities issued by, loans made to or debt obligations (including those evidenced by promissory notes) of any of the NWC entities, or any other business entity or other person in which an NWC entity has or is currently acquiring an interest;
- (c) acquiring or investing in the securities of any other entity, including without limitation bodies corporate, partnerships or trusts, through an acquisition of assets or an acquisition of shares or other evidence of an ownership interest and borrowing funds or otherwise obtaining credit, including the granting of guarantees for the purpose;
- (d) holding cash in interest bearing accounts with Canadian financial institutions or investing in permitted investments for the purpose of the NWCT’s activities, including making investments or paying expenses of NWCT, paying amounts payable by NWCT in connection with the redemption of any trust units or other securities of NWCT and making distributions to holders of its trust units;
- (e) disposing of all or part of the investments, securities and assets of NWCT;
- (f) issuing trust units of NWCT and rights, warrants, special warrants or other securities to purchase, to convert into or exchange into trust units of NWCT;
- (g) issuing debt securities, borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of the investment, securities and assets of NWCT as security for any obligations, liabilities or indebtedness;
- (h) guaranteeing (as guarantor, surety or co-principal obligor) the payment of indebtedness, liability or obligation of any of the NWC entities, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the investments, securities and assets of NWCT, including debt or equity securities issued by the NWC entities as security for such guarantee;
- (i) investing in securities of other issuers as may be approved by the Trustees of NWCT;
- (j) undertaking such other activities (including investing in securities and entering into agreements), or taking such other actions as are approved by the Trustees of NWCT from time to time;
- (k) paying costs, fees and expenses associated with the foregoing purposes or incidental thereto; and
- (l) engaging in activities ancillary or incidental to those activities set forth above.



Description of the Capital Structure of NWCT

All of the outstanding trust units of NWCT are held by the Fund.

Nature and Ranking of Trust Units

The beneficial interests of NWCT are divided into interests of one class which are entitled to the rights and subject to the limitations, restrictions, and conditions set forth in the Declaration of Trust of NWCT dated February 15, 2006, and the interest of each holder of trust units of NWCT is determined by the number of trust units registered in the name of each holder.

Each trust unit of NWCT entitles the holder or holders thereof to one vote at any meeting of the holders of trust units of NWCT and represents an equal fractional undivided beneficial interest in any distribution from NWCT (whether of distributable cash flow, net realized capital gains or other amounts) and in any net assets of NWCT in the event of termination or winding up of NWCT. All trust units of NWCT rank among themselves equally and ratably without discrimination, preference or priority.

Authorized Number of Units

The aggregate number of trust units of NWCT which are authorized and may be issued are unlimited.

Fractional Units

Fractional trust units of NWCT will not be issued, except pursuant to distributions of additional trust units of NWCT to all holders thereof.

Issue of Trust Units

Trust units of NWCT may be allotted and issued by NWCT at such times, to such persons, for such consideration and on such terms and conditions as the Trustees of NWCT may determine. The Trustees of NWCT may authorize NWCT to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase trust units of NWCT from NWCT.

The Trustees of NWCT may create and issue rights, warrants (including so-call "special warrants" which may be exercisable for no additional consideration), convertible securities (including trust units issuable upon the exchange of securities of other issuers) or options (including all types of incentive programs) to subscribe for trust units, which rights, warrants, convertible securities or options may be exercisable at such subscription price or prices and at such time or times and on such terms or conditions as the Trustees of NWCT may determine. A right warrant, convertible security or option will not be a trust unit and the holder thereof will not be a holder of trust units of NWCT.

No Pre-Emptive Rights

No person is entitled, as a matter of right, to subscribe for or purchase any trust unit of NWCT, unless agreed to in writing by NWCT.



Notes Receivable

On April 30, 2006, NWCT issued to the Fund a promissory note (the “NWCT Note Receivable”) due December 31, 2031, in the amount of \$30.0 million which bears interest at an annual interest rate of 13% and which interest is payable on a quarterly basis on March 31, June 30, September 30 and December 31 in each year, in exchange for the \$30.0 million Notes Receivable transferred from the Fund. NWCT has in turn transferred the NWCT Note Receivable to NWCLP in exchange for Class A partnership units of NWCLP.

NWC GP INC.

NWCGP is incorporated under the Canada Business Corporations Act and is the general partner of NWCLP. NWCGP, which has a nominal interest in NWCLP, exists to administer and operate the business affairs of the Fund. As at June 5, 2007, the Fund, NWCGP and NWCT entered into an assignment and novation agreement pursuant to which NWC assigned to NWCGP all of NWC’s right and interest in an administration agreement dated as of April 27, 2006 (the “Administration Agreement”) among NWC, NWCT and the Fund. Under the Administration Agreement, the Fund delegates to NWCGP, and NWCGP agrees to provide and be responsible for the management, administrative and support services necessary for the operation of the Fund.

Description of Capital Structure of NWC GP Inc.

NWCGP is authorized to issue an unlimited number of common shares, all of which are held by the Fund, and which have the following rights privileges and restrictions attached thereto:

- (a) the holders of common shares are entitled to receive notice and to attend any meetings of the shareholders of NWCGP and are entitled to one vote for each common share held by them respectively;
- (b) the holders of common shares are entitled to receive dividends when, as and if declared thereon by the board of directors of NWCGP; and
- (c) in the event of the liquidation, dissolution or winding up of NWCGP or other distribution of assets of NWCGP among shareholders for the purpose of winding up its affairs, the holders of the common shares shall be entitled to receive ratably the property and assets of NWCGP.

THE NORTH WEST COMPANY LP

NWCLP was formed on April 30, 2006 under the laws of Manitoba pursuant to a limited partnership agreement among NWC, NWCGP and NWCT (the “Partnership Agreement”).

Description of the Capital Structure of The North West Company LP

NWCLP has issued Class A and Class B limited partnership units (the “Class A Units” and “Class B Units”, respectively), the following of which are issued and outstanding on the date hereof:



	<u>Holder</u>	<u>Number</u>
Class A Units	Fund	3,313,000
	NWCT	3,000,001
	NWCGP	1
Class B Units	Fund	47,357

Class A Units

The Class A Units have the rights, privileges, restrictions and conditions set forth in the Partnership Agreement, including those described below.

Parity

Other than as set forth in the Partnership Agreement, the rights of all holders of Class A Units are equal in all respects, without discrimination, preference or priority among them, including with respect to matters such as payment of distributions, and the distribution of assets of NWCLP in the event of any liquidation, dissolution or winding up of NWCLP, or other distribution of assets of NWCLP for the purpose of winding up its affairs.

Distributions to Holders of Class A Units

The holders of the Class A Units will be entitled to receive from time to time distributions in respect of such Class A Units held thereby in such amount, character and nature as is in accordance with the provisions of Article 4 of the Partnership Agreement and such other provisions of the Partnership Agreement as may be applicable. Holders of Class A Units will be entitled to receive non-cumulative distributions only if, as and when declared by NWC GP Inc. in accordance with the provisions of the Partnership Agreement.

Participation on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of NWCLP or other distribution of assets of NWCLP among its partners for the purpose of winding up its affairs, the holders of the Class A Units will, subject to the rights of the holders of any other class of units entitled to receive assets of NWCLP upon such a distribution in priority to, or concurrently with, the holders of the Class A Units, be entitled to participate in the distribution, all in accordance with the Partnership Agreement. Such distribution to which the holders of Class A Units are entitled will be made pro rata to the amount of each holder's respective net contribution amount determined in accordance with the Partnership Agreement in respect of Class A Units.

Class B Units

The Class B Units have the rights, privileges, restrictions and conditions set forth in the Partnership Agreement, including those described below:



Parity

The rights of all holders of Class B Units are equal in all respects, without discrimination, preference or priority among them, including with respect to matters such as payment of distributions, and the distribution of assets of NWCLP in the event of any liquidation, dissolution or winding up of NWCLP, or other distribution of assets of NWCLP for the purpose of winding up its affairs.

Distributions to Holders of Class B Units

The holders of Class B Units as a class will be entitled to receive, in respect of each distribution period or fiscal year of NWCLP, as the case may be, in priority to holders of Class A Units distributions from NWCLP in an amount equal to the “Class B Preferred Return” (as defined in the Partnership Agreement) or the “Annual Class B Preferred Return” (as defined in the Partnership Agreement), as applicable, all in the manner set forth in the Partnership Agreement. All Class B Units outstanding from time to time represent a fractional undivided beneficial interest in and will be entitled to equal shares in the Class B Preferred Return or the Annual Class B Preferred Return, as applicable, in the manner set forth in the Partnership Agreement. All Class B Units will rank among themselves equally and rateably without discrimination, preference or priority.

Participation on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of NWCLP, or other distribution of assets of NWCLP among its partners for the purpose of winding up the affairs of NWCLP, each holder of Class B Units will be entitled to receive from the assets of NWCLP, for each Class B Unit held by such holder, the sum of:

- (a) such holder's then net contribution amount in respect of Class B Units, plus
- (b) for each fiscal year (or prorated part thereof, if such liquidation, dissolution or winding up does not occur at the end of a fiscal year), such holder's pro rata proportion (based upon each holder's then respective net contribution amount in respect of Class B Units) of an amount equal to the Class B Preferred Rate, multiplied by the total aggregate “Class B Subscription Amount” (as defined in the Partnership Agreement) minus the aggregate amount of all contributions returned by NWCLP in respect of Class B Units prior to such time, to the extent that it has not been paid to such holder for each Class B Unit held by it in respect of such fiscal year (or prorated part thereof),

before any amount will be paid to any holder of Class A Units or partnership units of any other class ranking junior to the Class B Units. After payment has been made to the holders of the Class B Units, such holders will, as such, have no further entitlement to participate in any further distributions upon any such liquidation, dissolution or winding up of the affairs of NWCLP except to the extent that such holders of Class B Units are also holders of Class A Units.

Right of Redemption at Option of the Holder

Subject to the rights, privileges, restrictions and conditions of any class or series of units ranking in preference to, or on a parity with, the Class B Units, each partner holding Class B Units will be entitled to require NWCLP to redeem at any time, or from time to time, at the demand of such partner all or any part of the Class B Units registered in the name of such partner at the Class B Redemption Price (as defined



below), with respect to each Class B Unit so redeemed, as determined and payable in accordance with the terms and conditions hereinafter provided.

Exercise of Redemption Right

To exercise the above-mentioned right to require redemption hereunder, a duly completed and properly executed notice requiring NWCLP to redeem the relevant Class B Units, in a form reasonably acceptable to NWCGP, will be sent by the relevant partner to NWCLP at the head office of NWCLP, together with the certificates representing the Class B Units to be redeemed and written instructions as to the number of Class B Units to be redeemed. No form or manner of completion or execution of such notice and other documents will be sufficient unless the same is in all respects satisfactory to NWCGP and is accompanied by any further evidence that NWCGP may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Upon the tender by a partner of Class B Units for redemption, such partner will thereafter cease to have any rights with respect to the Class B Units tendered for redemption (other than to receive the Class B Redemption Price) including the right to receive any distributions thereon which are declared payable to the holders of Class B Units of record on a date which is subsequent to the Redemption Date (defined below). Class B Units will be considered to be tendered for redemption on the date (the "Class B Redemption Date") that NWCLP has, to the satisfaction of NWCGP, received the notice, certificates representing the Class B Units to be redeemed, the written instructions as to the number of Class B Units to be redeemed and other required documents or evidence as aforesaid.

Payment of Class B Redemption Price

The Class B Redemption Price payable in respect of the Class B Units tendered or called for redemption will be paid in immediately available funds, by cheque, drawn on a Canadian chartered bank or trust Fund in lawful money of Canada, payable to or to the order of the partner holding the Class B Units to be redeemed.

Payments made by NWCLP of the Class B Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage pre-paid envelope addressed to the former partner holding Class B Units and/or any party having a security interest therein, unless such cheque is dishonored upon presentment. Upon such payment, NWCLP will be discharged from all liability to the relevant partner in respect of the Class B Units so redeemed to the extent of the amount of such cheque.

Class B Redemption Price

For the purposes of the Partnership Agreement, the price per Class B Unit payable to the partner holding Class B Units for each Class B Unit tendered for redemption by such Partner (the "Class B Redemption Price") is equal to the sum of:

- (a) such partner's then net contribution amount in respect of Class B Units, plus
- (b) for each fiscal year (or prorated part thereof, if the Class B Redemption Date does not occur at the end of a fiscal year), such partner's pro rata proportion (based upon each partner's respective net contribution amount in respect of Class B Units) of an amount equal to the Class B Preferred Rate, multiplied by the total aggregate Class B Subscription Amount (as defined in the Partnership Agreement) minus the aggregate amount of all contributions returned by the Partnership in respect



of Class B Units prior to such time, to the extent that it has not been paid to such partner for each Class B Unit held by it in respect of such fiscal year (or prorated part thereof).

Cancellation of Certificates for all Redeemed Class B Units

All certificates representing Class B Units that are redeemed pursuant to the terms of the Partnership Agreement will be cancelled and such Class B Units will no longer be outstanding.

NORTH WEST COMPANY HOLDINGS INC.

NWHoldco is incorporated under the Canadian Business Corporations Act and is a wholly-owned subsidiary of the Fund. NWHoldco exists to administer and operate the business affairs of the Fund's international interests.

NWC (U.S.) HOLDINGS INC.

NWCUSHoldco is incorporated under the General Corporation Law of Delaware and is a wholly-owned subsidiary of NWHoldco. It is the parent company of NWCI.

THE NORTH WEST COMPANY (INTERNATIONAL) INC.

NWCI is a wholly-owned subsidiary of NWCUSHoldco.

NWCI is the successor corporation to Alaska Commercial Company, Cost-U-Less, Inc., and Span Alaska Enterprises, Inc. On December 16, 2008, a former subsidiary of NWCUSHoldco named The NorthWest Company (International) Inc. dissolved and Alaska Commercial Company changed its name to "The North West Company (International) Inc." and converted to a corporation under the General Corporation Law of Delaware. Subsequently, on December 31, 2008, Cost-U-Less, Inc. and Span Alaska Enterprises, Inc. were merged with NWCI (formerly Alaska Commercial Company) with the surviving company being named "The North West Company (International) Inc."

NWC SERVICES INC.

NWCSI is incorporated under the General Corporation Law of Delaware and is a wholly-owned subsidiary of NWCUSHoldco.

MARKET FOR SECURITIES

The Trust Units are listed on The Toronto Stock Exchange under the trading symbol "NWF.UN". The following table shows the trading prices and the trading volume of Trust Units by month for the period of February 2009 to January 2010.



Trading Price and Volume			
MONTH	HIGH	LOW	VOLUME
Feb-09	\$17.48	\$15.45	955,167
Mar-09	\$16.69	\$15.00	1,822,944
Apr-09	\$17.25	\$14.98	1,290,186
May-09	\$16.75	\$15.33	1,658,768
Jun-09	\$16.25	\$14.88	2,218,731
Jul-09	\$16.60	\$14.98	1,411,847
Aug-09	\$16.26	\$15.11	1,855,472
Sep-09	\$18.70	\$15.75	1,963,343
Oct-09	\$17.52	\$16.25	2,185,786
Nov-09	\$18.60	\$16.86	1,513,217
Dec-09	\$19.60	\$17.60	1,413,721
Jan-10	\$19.10	\$17.51	1,791,225

ESCROWED SECURITIES

To the Fund's knowledge, no securities of the Fund were held in escrow as at January 31, 2010.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Fund is CIBC Mellon Trust Company at its principal office located at 199 Bay Street, Commerce Court West, Securities Level, Toronto, Ontario M5L 1G9.

TRUSTEES AND EXECUTIVES OF THE FUND

The name, municipality of residence, position and principal occupation of the Trustees of the Fund are as follows:

Name and Municipality of Residence	Principal Occupation and Position with the Fund	Trustee Since
<i>Trustees</i>		
H. SANFORD RILEY ⁽⁴⁾ Winnipeg, Manitoba, Canada	President and Chief Executive Officer, Richardson Financial Group Limited	2005
EDWARD S. KENNEDY ⁽⁴⁾ Winnipeg, Manitoba, Canada	President and Chief Executive Officer, NWC GP	2005
DAVID G. BROADHURST ^{(1), (2)} Toronto, Ontario, Canada	President, Poynton Investments Limited	1997
FRANK J. COLEMAN ⁽²⁾ Corner Brook, Newfoundland and Labrador, Canada	President and Chief Executive Officer, Coleman Group of Companies	2005
WENDY F. EVANS ^{(1), (3)} Toronto, Ontario, Canada	President, Evans and Company Consultants Inc.	2005



NORTH WEST COMPANY FUND
ANNUAL INFORMATION FORM
 April 7, 2010

Name and Municipality of Residence	Principal Occupation and Position with the Fund	Trustee Since
ROBERT J. KENNEDY ^{(1), (3)} Winnipeg, Manitoba, Canada	Chief Executive Officer, WiBand Communications Corp.	2005
GARY J. LUKASSEN ⁽¹⁾ Mississauga, Ontario, Canada	Corporate Director	2005
KEITH G. MARTELL ⁽³⁾ Saskatoon, Saskatchewan, Canada	Chairman and Chief Executive Officer, First Nations Bank of Canada	2005
JAMES G. OBORNE ^{(2), (3)} Winnipeg, Manitoba, Canada	Chairman, Westgate Capital Management Corp.	2005
IAN SUTHERLAND ^{(1), (3)} Oro Medonte, Ontario, Canada	Interim Chief Executive Officer, MCAN Mortgage Corporation	1997
<u>Executives</u>		<u>Executive Since</u>
EDWARD S. KENNEDY Winnipeg, Manitoba, Canada	President and Chief Executive Officer	1989
LEO P. CHARRIERE ⁽⁵⁾ Winnipeg, Manitoba, Canada	Executive Vice President and Chief Financial Officer	2003
CRAIG T. GILPIN Winnipeg, Manitoba, Canada	Executive Vice President and Chief Corporate Officer	2010
MICHAEL W. MCMULLEN La Salle, Manitoba, Canada	Executive Vice President, Northern Canada Retail	2007
REX A. WILHELM Anchorage, Alaska	President and Chief Operating Officer, The North West Company (International) Inc.	2007
DALBIR S. BAINS Winnipeg, Manitoba, Canada	Vice President, Planning and Corporate Development	2008
DAVID M. CHATYRBOK Winnipeg, Manitoba, Canada	Vice President, Canadian Procurement and Marketing	2009
PAULINA HIEBERT Winnipeg, Manitoba, Canada	Vice President, Legal and Corporate Secretary	2009
SCOTT A. MCKAY Winnipeg, Manitoba, Canada	Vice President & General Manager, Giant Tiger West Store Division	2004
JOHN D. KING ⁽⁵⁾ Winnipeg, Manitoba, Canada	Vice President, Finance	2006
GERALD L. MAUTHE Ste. Adolphe, Manitoba, Canada	Vice President, Information Services	2005
DANIEL G. MCCONNELL Winnipeg, Manitoba, Canada	Vice President, Real Estate and Store Development	2008
KAREN J. MILANI Winnipeg, Manitoba, Canada	Vice President, Human Resources	2000
MICHAEL E. SOROBEY Winnipeg, Manitoba, Canada	Vice President, Logistics and Supply Chain Services	2010

(1) Member of Audit Committee.

(2) Member of the Governance and Nominating Committee.

(3) Member of the Human Resources and Compensation Supervisory Committee.

(4) The Chairman of the Board is not a member of any Board Committee, but attends all meetings in an ex-officio capacity. The President and Chief Executive Officer is not a member of any Board Committee, but attends these meetings as an invited guest.



- (5) On March 18, 2010, the Fund announced the retirement of Mr. Charrière, Executive Vice President and Chief Financial Officer, effective June 28, 2010 and the appointment of Mr. King as Chief Financial Officer, effective June 28, 2010.

The term of office of each of the Trustees expires at the next annual meeting of the Fund.

All of the Trustees of the Fund and officers of the Fund have held their present positions or other executive positions with the same or associated firms or organizations during the past five years, except as follows:

H. Sanford Riley was appointed Chairman of the Board of Trustees on June 11, 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, Molson Coors Brewing Company, Direction of Richardson GMP Limited, GMP Capital Inc. and The Canada West Foundation. He is the former Chairman of the University of Winnipeg Foundation. Mr. Riley was appointed to the Order of Canada in July, 2002. He has been a board member of the Fund and its predecessor entities since 2003.

Craig T. Gilpin joined NWC on March 18, 2010 as Executive Vice President and Chief Corporate Officer. Prior to joining NWC, Mr. Gilpin held the position of President, Operations, Sobeys Ontario since 2004. Prior to joining Sobeys, Mr. Gilpin held worked for seventeen years in various senior roles with A&P Canada.

Michael W. McMullen joined NWC on February 5, 2007 as Executive Vice President, Northern Canada Retail. Prior to this appointment, Michael was President and CEO of Warehouse One, The Jean Store, a national denim and casual wear chain based in Winnipeg, Manitoba. His previous background includes Vice President, Retail of Palliser Rooms, as well as a 15-year career with IKEA North America in the U.S. and Canada. Prior to joining IKEA, Michael was an adjunct professor of Business Policy and Organization Behaviour at Wilfred Laurier University.

Dalbir S. Bains joined NWC on November 3, 2008 as Vice President, Planning & Corporate Development. Prior to joining NWC, Dalbir was the Vice President of Strategic Planning and Implementation at CanWest Global Communications Corp. He held several senior roles during his 11 years at CanWest, including Vice President of their Internet business operations, as well as Strategic Planning, Investor Relations and Project Management.

David M. Chatyrbok joined NWC in 2000. David was appointed to the position of Vice President, Canadian Procurement and Marketing on March 13, 2009. From 2000 to 2007, he held various management positions within the procurement and marketing division of NWC, including Senior Category Manager and Director. In 2007, David was promoted to Vice President of Marketing for the Alaska Commercial Company. Prior to joining NWC, David spent 10 years with Zellers of the Hudson Bay Company in different capacities including store manager and senior buyer.

Paulina Hiebert joined NWC on November 3, 2009 after being employed as Vice President, Legal and Corporate Secretary of The Brick Group Income Fund since 2002. Prior to joining The Brick, she was Corporate Counsel for Alberta Treasury Branches, and an Associate with the law firm of Milner Fenerty in Edmonton. Paulina has also held various senior management positions with a



venture capital fund and several chartered banks in Canada. She has been a director of several privately held companies. She is a member of the Law Societies of Alberta and Manitoba.

John D. King joined NWC in 1994. John was appointed to the position of Vice President, Finance & Secretary on June 19, 2006 and Vice President, Finance on November 3, 2009. Prior to this appointment, John held the positions of Director of Finance and Stores Controller.

Gerald L. Mauthe joined NWC on March 21, 2005 as Vice President of Information Services. Prior to this appointment, Gerry was the Director / CIO of the Information Technology Group of TruServ Canada Cooperative Inc., a distributor of general merchandise in Winnipeg, Manitoba. His previous background includes various Senior Consultant and Project Manager positions.

Daniel G. McConnell joined NWC in 2002 as the Manager, Real Estate and Store Development. Dan was appointed Vice President Store Development on September 23, 2008 and was the Director, Real Estate & Store Development prior to this appointment.

Scott A. McKay joined NWC on October 19, 2004 when he was appointed Vice President and General Manager, Giant Tiger, West Store Division. Prior to this appointment, Scott was the General Manager of Plug-Ins Electronix, a Dubai-based electronics retailer in the Middle East. His previous positions include Vice President of Retail Operations with Intrawest Retail Group in Golden, Colorado and General Manager, Western Canada with Toys R Us Canada.

Michael E. Sorobey joined NWC on March 15, 2010 as Vice President Logistics and Supply Chain. Prior to joining NWC, Mr. Sorobey held the position of Vice President of GES Exposition Services. Prior to joining GES Exposition Services, Mr. Sorobey held various senior roles with Tibbett & Britten Group PLC for nine years, and spent seven years at Westfair Foods Limited in various warehouse management roles.

Rex A. Wilhelm joined Alaska Commercial Company 24 years ago, and has actively worked in the retail industry for 33 years. He has served in a variety of roles with Alaska Commercial Company progressing from department manager to Vice President of Operations, and in 2005 was appointed as President and COO. In December 2007, Rex was appointed as President and COO of Cost-U-Less, Inc. On December 16, 2008 Rex was appointed as President and COO of The North West Company (International) Inc.

To the knowledge of the Fund, trustees and officers of the Fund as a group beneficially own, directly or indirectly, or exercise control or direction over 2,008,549 Trust Units or 4.2 % of the outstanding Trust Units of the Fund.

As at January 31, 2010, based on public filings, CIBC Global Asset Management Inc. beneficially owned, or controlled or directed, directly or indirectly, 7,201,898 or 14.9% of the issued and outstanding Trust Units. These Units are held for its client accounts as the beneficial owners.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTION

Other than as noted in the declarations set forth below, no Trustee or executive officer of the Fund is, or has been within the past 10 years, a director or executive officer or promoter of any other Fund that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days;



(ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade order or similar order or an order denying statutory exemption; or (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No Trustee or executive officer of the Fund has, within the 10 years preceding the date hereof, been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

No Trustee or executive officer is, or has become, within the 10 years preceding the date hereof, bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

The following Trustees have made the following declarations.

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 via press release announced approval of the sale of assets to a subsidiary of Ensis Growth Fund Inc., the largest shareholder and creditor of Jazz, under the *Bankruptcy and Insolvency Act* (Canada), subsequently Court approved 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 is a Director of AbitibiBowater Inc. 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.

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 Trustees of OA Group Inc. He was elected to the Board of Trustees 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.

AUDIT COMMITTEE INFORMATION

The current Audit Committee Charter as approved by the Board of Trustees is included in Appendix “A” to this AIF. The Audit Committee of the Fund is currently comprised of Gary J. Lukassen, who also is the Chair of the committee, David G. Broadhurst, Wendy F. Evans, Robert J. Kennedy and Ian C. Sutherland. All members of the Audit Committee are independent and financially literate within the meaning of National Instrument 52-110, Audit Committees and have the education and experience as shown below which is relevant to their roles as Audit Committee members.

Audit Committee Members

The following is a summary of the education and experience of the members of the Audit Committee that is relevant to the performance of responsibilities as an Audit Committee member.

Gary J. Lukassen, CA

Corporate Director; Retired as Executive Vice President and Chief Financial Officer from The Hudson's Bay Company in March 2001. He is a director and a member of the Audit Committee of AbitibiBowater Inc.

David G. Broadhurst, CA

President of Poynton Investments Limited; President & COO of Reeve Court Insurance Limited (Bermuda) from 1998 to 2001; Investment Banker with First Marathon Securities Limited from 1996 to 1998; previously spent his entire career with Price Waterhouse Canada retiring in 1996 as the Senior Tax Partner. Director, MCAN Mortgage Corporation, Director, Canadian Opera Company.

Wendy F. Evans, BSc

President, Evans and Company Consultants Inc. since 1987 providing international marketing, financial and management services. Adjunct Professor, Ted Rogers School of Retail Management, Ryerson



University, Director, Sun Life Financial Trust, Director, Canadian Cancer Society, Corporate Cabinet Member, Conservation Foundation, past Chair of the Granite Club, served on the Advisory Board of the Ontario Retail Sector Strategy and as Chair of the Retail Learning Initiative.

Robert J. Kennedy, BSc

Chief Executive Officer, WiBand Communications Corp. since 1999; Worldwide Business Development Executive of the IBM Corporation from 1997 to 1999; CEO and founder of PBSC Computer Training Centres from 1985 to 1997; CEO and founder of Computer Land Western Canada from 1978 to 1987.

Ian Sutherland, CA

Chairman of the Board of NWC from 1997 to 2008; CEO of NWC from 1993 to 1997. For most of his career, he has been an officer of MCAN Mortgage Corporation and its predecessor, The Mutual Trust Company. Director, MCAN Mortgage Corporation, Director, Renasant Financial Partners Ltd., Trustee, Strongco Income Fund. NWC Director since he participated in the founding of the Fund and the purchase of Northern Stores from the Hudson's Bay Company in 1987.

External Audit Service Fees

The auditors of the Fund are PricewaterhouseCoopers LLP, Richardson Building, One Lombard Place, Winnipeg, Manitoba R3B 0X6.

Fees paid to the external auditors in the past two years with respect to services provided to the Fund and the subsidiaries were:

Type of Fees	Fiscal 2009	Fiscal 2008
Audit Fees	\$ 357,000	\$ 435,320
Audit-Related Fees	71,797	25,200
Tax Fees	234,755	194,513
All other Fees	4,778	5,405
TOTAL	\$ 668,330	\$ 660,438

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 the Fund's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Fund's interim financial statements.

Audit-Related Fees

Audit-related fees include professional services related to store audit procedures, review of procedures for the Fund, and confirmation of compliance with senior debt covenants, and assistance with the IFRS implementation plan.



Tax-Related Fees

Tax-related fees were paid for professional services relating to tax compliance service and tax planning advice.

All Other Fees

All other fees were paid for Canadian Public Accountability Board fees.

Pre-Approval Policies and Procedures

As part of the Fund'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, the Fund'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.

INTEREST OF EXPERTS

The only persons who are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, under National Instrument 51-102, Continuous Disclosure by the Fund during, or relating to, the Fund's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or Fund, is PricewaterhouseCoopers LLP, the auditors of the Fund, who prepared a report on the audited annual financial statements of the Fund.

To the knowledge of the Fund, at the time that PricewaterhouseCoopers LLP prepared its report on the audited financial statements of the Fund, the partners of PricewaterhouseCoopers LLP had no registered or beneficial interest in the securities of the Fund.

CONFLICTS OF INTEREST

No Trustee or officer of the Fund, or any associate or affiliate of the foregoing persons, has any substantial interest, direct or indirect, in any material transaction with the Fund for the period February 1, 2009 to January 31, 2010.

LEGAL PROCEEDINGS

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund or their respective subsidiaries which would be material to a purchaser of Units, see "Risk Factors – Litigation".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any Trustee, director or officer of the Fund, or other insider of the Fund, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, in any material transaction since the commencement of the Fund's most recently completed financial year or in any proposed transaction.



MATERIAL CONTRACTS

The Fund has entered into the following material contracts:

- Second and Amended Declaration of Trust dated as of June 11, 2009 governing the Fund, as the same may be amended, supplemented or restated from time to time;
- Declaration of Trust dated February 15, 2006 governing NWC Trust, as the same may be amended, supplemented, or restated from time to time; and
- Third Amended and Restated Partnership Limited Partnership Agreement of The North West Company LP, dated June 16, 2009, as the same may be amended, supplemented or restated from time to time.

A copy of the foregoing documents may be examined during normal business hours at the office of the Fund located at Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1 and are available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Fund can be found on SEDAR at www.sedar.com and on the Fund's website at www.northwest.ca.

Additional information, including trustees' directors', and officer's remuneration and indebtedness, principal holders of the Fund's securities, and securities authorized for issuance under equity compensation plans, is contained in the Fund's Management Information Circular issued in connection with the Annual Meeting of Unitholders to be held on June 10, 2010 in Winnipeg, Manitoba.

Additional financial information is provided in the Fund's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended January 31, 2010 and the Fund's 2010 Annual Report, all of which are available on SEDAR at www.sedar.com and at www.northwest.ca.

Copies of the information referred to in this section, and well as the AIF, can be obtained by writing to the Corporate Secretary, North West Company Fund, Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1.

APPENDIX A – AUDIT COMMITTEE CHARTER

Introduction	<p>The Audit Committee will assist the Board of Trustees (the Trustees) in fulfilling their oversight responsibilities. The Audit Committee will review the integrity of the financial reporting process, the system of internal control and the management of financial risks, the audit process, and the Fund’s process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Trustees, management, and the internal and external auditors. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the Fund’s business, operations, and risks.</p>
Reporting	<p>The Committee shall report to the Board of Trustees of the North West Company Fund.</p>
Composition	<p>The Audit Committee will consist of at least three and no more than six members of the Board of Trustees. The Board of Trustees will appoint committee members and the committee Chair. Each committee member will be both independent and financially literate and at least one member shall have accounting or related financial expertise. For this purpose” financial literacy” means the ability to read and understand a balance sheet, an income statement and a cash flow statement at the level of complexity of the Fund and “accounting or related financial expertise” means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.</p>
Appointment	<p>Members of the committee shall be appointed at the meeting of the Trustees immediately following the Annual Meeting of Unitholders and shall hold office until the Annual Meeting in the following year, provided that any member may be removed or replaced at any time by the Trustees and shall in any event cease to be a member of the committee upon ceasing to be a Trustee.</p>
Vacancies	<p>Where a vacancy occurs at any time in the membership of the committee, it may be filled by the Trustees.</p>
Chairman	<p>The Trustees shall designate one of the members of the committee to be Chairman.</p> <p>If the Chairman of the committee is not present at any meetings of the committee, one of the other members of the committee present at the meeting shall be chosen by the committee to preside.</p> <p>The Chairman presiding at any meeting shall have a casting vote.</p> <ol style="list-style-type: none">i) chairs meetings of the committee and ensures that the committee meets on a regular basis;ii) provides leadership to enhance the effectiveness of the committee;



- iii) sets with management the agenda for the meetings;
- iv) ensures that the committee has access to timely and relevant information and resources to support its mandate;
- v) ensures that the committee fulfills its mandate; and
- vi) acts as liaison between the committee and the Board and the committee and management.

Meetings	<p>The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via conference call. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with internal and external auditors and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the committee meetings will be prepared.</p>
Secretary	<p>The committee shall appoint a Secretary who need not be a member of the committee.</p>
Notice of Meeting	<p>Notice of the time and place of every meeting shall be given in writing, email or facsimile to each member of the committee at least seven days prior to the time fixed for such Meeting.</p> <p>In addition to being given to the members, notice of meeting shall also be given to the Chairman of the Board, the President and CEO, the CFO, the external auditors and the internal auditor.</p> <p>A member may in any manner waive notice of a meeting. Attendance of a member at any meeting shall constitute waiver of notice.</p>
Quorum	<p>A majority of the committee, present in person or by telephone, shall constitute a quorum.</p>
Attendance	<p>The President and CEO, the CFO, the external auditors and the internal auditor shall, in normal circumstances, be expected to attend.</p> <p>The committee may, by specific invitation, have other resource persons in attendance.</p> <p>The committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the committee. It is expected that the committee will meet with the external auditors at least once each year without the presence of management.</p>
Decisions	<p>All decisions of the committee shall be made by a majority vote of the representatives at the meeting in which such vote is taken; provided, however that where the majority of representatives consent to a decision in writing, in lieu of a meeting, such written decision shall be of the same force and effect as if a majority vote was taken at a meeting of the committee.</p>



Minutes	Minutes of committee meetings shall be sent to all Trustees.
Authority	<p>The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:</p> <ul style="list-style-type: none">• Recommend the appointment, compensation, and oversee the work of the external auditors;• Resolve any disagreements between management and the auditor regarding financial reporting;• Set a policy that establishes appropriate guidelines for pre-approval of non-audit services to be provided by external auditors;• If necessary, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation;• Seek any information it requires from employees, all of whom are directed to cooperate with the committee's requests or external parties; and• Meet with Fund officers, external auditors, or outside counsel, as necessary.

Responsibilities The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, tax liabilities and issues, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual audited financial statements, and consider whether they are complete and accurate in all material respects, represent fairly the Fund's and its subsidiaries' financial position and performance and are in accordance with GAAP and recommend approval of the financial statements to the Board of Trustees.
- Review other sections of the annual report, related regulatory filings, earnings press releases and annual information form before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors prior to their release, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the Fund's and its subsidiaries' internal control systems, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the Manager, Internal Audit, the mandate, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure that the internal audit function is structured in a manner that achieves independence.
- Review and concur in the appointment, replacement, or dismissal of the Manager, Internal Audit.
- Review the performance and effectiveness of the internal audit function.
- On a regular basis, meet separately with the Manager, Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the external auditors' qualifications, performance and the firm's internal quality control procedures, and recommend the appointment or discharge of the auditors.
- Review with the external auditors the quality of the Fund's and its subsidiaries' accounting policies.
- Recommend the external audit fee.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Fund, including non-audit services, and discussing the relationships with the auditors.
- Review any unadjusted errors in the financial statements.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- Review with the external auditors Report to Unitholders and letters to management on deficiencies in internal control and other matters of concern and management's response thereto.
- Set clear hiring policies for partners and employees or former partners and employees of the external auditors.
- Pre-approve any non-audit services to be performed by the external auditor and set a fee budget for such services.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Fund personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and Fund legal counsel regarding



- compliance matters.
- Reviewing all incidents of fraud, illegal acts and conflict of interest.

Reporting Responsibilities

- Regularly report to the Board of Trustees about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Trustees.
- Report annually to the Unitholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the Fund issues that relate to committee responsibilities.
- Review annually the Fund's policy on public disclosures.
- Satisfy itself that adequate procedures are in place for the review of the Fund's disclosure of financial information extracted or derived from the Fund's consolidated financial statements (other than the financial statements, management's discussion and analysis and earnings press releases) and periodically assess the adequacy of those procedures.

Other Responsibilities

- Perform other activities related to this mandate as requested by the Board of Trustees.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee mandate annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this mandate have been carried out.
- Review annual assessment done by Governance Committee to determine how effectively the Audit Committee is meeting its responsibilities.
- Review annually the Fund's and its subsidiaries' insurance program.
- Review and approve the procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal controls or auditing matters, including procedures for employees' confidential anonymous submissions. Ensure that all such complaints are presented to the committee.
- Review process followed in CEO/CFO certification of financial statements.



Nor'Westers have consistently been 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 first trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

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