

June 14, 2017

In the Matter of
the Securities Legislation of
Manitoba and Ontario (the “**Jurisdictions**”)

and

In the Matter of
the Process for Exemptive Relief Applications
in Multiple Jurisdictions

and

In the Matter of
The North West Company Inc.
(the “**Filer**”)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a “**Decision Maker**”) has received an application (the “**Application**”) from the Filer for a decision under the securities legislation of the Jurisdictions (the “**Legislation**”) that:

- (a) an offeror that makes an offer to acquire outstanding variable voting shares of the Filer (“**Variable Voting Shares**”) or outstanding common voting shares of the Filer (“**Common Voting Shares**”, and collectively with the Variable Voting Shares, the “**Shares**”), which would constitute a take-over bid under the Legislation as a result of the securities subject to the offer to acquire, together with the offeror’s securities of that class, constituting in the aggregate 20% or more of the outstanding Variable Voting Shares or Common Voting Shares, as the case may be, at the date of the offer to acquire, be exempted under section 6.1 of National Instrument 62-104 *Take-Over Bids and Issuer Bids* (“**NI 62-104**”) from the take-over bid requirements contained in NI 62-104 (the “**TOB Rules**”) (the “**TOB Relief**”);
- (b) an acquiror who acquires beneficial ownership of, or the power to exercise control or direction over, Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, that, together with the acquiror’s securities of that class, would constitute 10% or more of the outstanding Variable Voting Shares or Common Voting Shares, as the case may be, be exempted from the early warning requirements contained in the Legislation (the “**Early Warning Relief**”);

- (c) an acquiror who acquires, during a take-over bid or an issuer bid, beneficial ownership of, or the power to exercise control or direction over, Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, that, together with the acquiror's securities of that class, would constitute 5% or more of the outstanding Variable Voting Shares or Common Voting Shares, as the case may be, be exempted from the requirement in section 5.4 of NI 62-104 to issue and file a news release (the "**News Release Relief**");
- (d) an eligible institutional investor subject to the early warning requirements of the Legislation be entitled to rely on alternative eligibility criteria from those in section 4.5 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* ("**NI 62-103**") in order to benefit from the exemption contained in section 4.1 of NI 62-103 (the "**Alternative Monthly Reporting Criteria**"); and
- (e) the Filer be entitled to rely on alternative disclosure requirements from those in Item 6.5 of Form 51-102F5 *Information Circular* ("**Form 51-102F5**") of National Instrument 51-102 *Continuous Disclosure Obligations* (the "**Alternative Disclosure Requirements**" and, collectively with the TOB Relief, the Early Warning Relief, the News Release Relief and the Alternative Monthly Reporting Criteria, the "**Exemption Sought**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

- (a) the Manitoba Securities Commission is the principal regulator for this Application;
- (b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon by the Filer in Alberta, British Columbia, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, NI 62-103, NI 62-104 and MI 11-102, including, without limitation, "**offeror**", "**offeror's securities**", "**offer to acquire**", "**acquiror**", "**acquiror's securities**", "**early warning requirements**", "**eligible institutional investor**" and "**securityholding percentage**", have the same meaning if used in this decision, unless otherwise defined herein. For the purposes of this decision, the terms below have the following meanings:

"**Canadian**" has the meaning ascribed to that term in the CTA;

“CTA” means the *Canada Transportation Act*; and

“TSX” means the Toronto Stock Exchange.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation governed by the *Canada Business Corporations Act*.
2. The head and registered office of the Filer is located 77 Main Street, Winnipeg, Manitoba, Canada, R3C 2R1.
3. The Filer is a reporting issuer in all of the provinces of Canada and is not in default of any requirement of the securities legislation in any jurisdiction in which it is a reporting issuer or the requirements of the TSX Company Manual.
4. The Filer is a retailer to underserved rural communities and urban neighbourhood markets in northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean.
5. As at June 13, 2017, the authorized share capital of the Filer consists of an unlimited number of common shares. As at June 13, 2017, 48,680,578 common shares of the Filer were issued and outstanding. The Filer estimates that, as at June 13, 2017, approximately 73% of the issued and outstanding common shares were owned and controlled by Canadians and approximately 27% were owned or controlled by non-Canadians.
6. On April 23, 2017, the Filer entered into an agreement to acquire North Star Air Group (the “**Acquisition**”), a regional airline based in Thunder Bay, Ontario. In connection with the Acquisition and in order to hold the licenses necessary to operate as an air carrier, the Filer is required to comply with the CTA. The applicable provisions of the CTA require that the Filer, as a corporation which will hold a domestic license (as defined in the CTA), be controlled in fact by Canadians, and prohibits non-Canadians from holding or controlling more than 25% of the Filer’s voting interests.
7. The Filer does not require the consent of the Canadian Transportation Agency, the regulatory agency responsible for the application of the CTA, to the Acquisition, and the Filer is not required to notify the Canadian Transportation Agency of the Acquisition.
8. At the annual and special meeting of the Filer held on June 14, 2017, shareholders of the Filer voted to approve an amendment to the articles of the Filer to: (a) authorize the creation of a dual class share structure, comprised of the Variable Voting Shares and the Common Voting Shares; (b) convert all of the common shares of the Filer owned by Canadians to Common Voting Shares; and (c) convert all of the common shares of the Filer owned by non-Canadians to Variable Voting Shares. Following the completion of the Acquisition, the authorized share capital of the Filer will consist of an unlimited number of Variable Voting Shares and an unlimited number of Common Voting Shares.

9. The Common Voting Shares will only be able to be held, beneficially owned or controlled, directly or indirectly, by Canadians. An outstanding Common Voting Share will be converted into one Variable Voting Share, automatically and without any further act of the Filer or the holder, if such Common Voting Share becomes held, beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian.
10. The Variable Voting Shares will only be able to be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. An outstanding Variable Voting Share will be converted into one Common Voting Share, automatically and without any further act of the Filer or the holder, if such Variable Voting Share becomes held, beneficially owned or controlled, directly or indirectly, by a Canadian.
11. Each Common Voting Share will confer the right to one vote. Each Variable Voting Share will confer the right to one vote unless: (a) the number of Variable Voting Shares outstanding, as a percentage of the total number of all Shares of the Filer outstanding, exceeds 25% (or such higher percentage as the Governor in Council may specify by regulation); or (b) the total number of votes cast by holders of Variable Voting Shares at any meeting exceeds 25% (or such higher percentage as the Governor in Council may specify by regulation) of the total number of votes that may be cast at such meeting. If either of these thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share decreases proportionately such that: (a) the Variable Voting Shares, as a class, do not carry more than 25% (or such higher percentage as the Governor in Council may specify by regulation) of the aggregate votes attached to all outstanding Shares of the Filer; and (b) the total number of votes cast by holders of Variable Voting Shares at any meeting does not exceed 25% (or such higher percentage as the Governor in Council may specify by regulation) of the total number of votes that may be cast at such meeting.
12. Aside from the differences in voting rights stated above, the Variable Voting Shares and Common Voting Shares will be the same in all other respects, including with regard to the right to receive dividends and the right to receive the property and assets of the Filer in the event of dissolution, liquidation or winding up of the Filer.
13. The articles of amendment of the Filer will contain coattail provisions pursuant to which Variable Voting Shares may be converted into Common Voting Shares if an offer is made to purchase Common Voting Shares and the offer is one which is required to be made to all or substantially all the holders of Common Voting Shares. Similar coattail provisions will be contained in the terms of the Common Voting Shares and provide for the conversion of Common Voting Shares into Variable Voting Shares if an offer is made to purchase Variable Voting Shares and the offer is one which is required to be made to all or substantially all the holders of Variable Voting Shares.
14. The Variable Voting Shares and the Common Voting Shares will both be listed for trading on the TSX under the same ticker symbol, "NWC".
15. The Filer's dual class structure will be implemented solely to ensure compliance with the requirements of the CTA.

16. An investor will not control or choose which class of Shares it acquires and holds. There will be no unique features of either class of Shares which an existing or potential investor can choose to acquire, exercise or dispose of. The class of Shares ultimately available to an investor will be solely a function of the investor's Canadian or non-Canadian status. Moreover, if after having acquired Shares, a holder's Canadian or non-Canadian status changes, the Shares will convert accordingly and automatically.
17. The Variable Voting Shares will not be considered "restricted voting securities" or "restricted voting shares" for the purposes of the Legislation.
18. The TOB Rules and early warning requirements apply to the acquisition of securities of a class. Because of the anticipated significantly smaller public float of the Variable Voting Shares (compared to the public float of Common Voting Shares), it will be more difficult for non-Canadian investors to acquire Shares in the ordinary course without the apprehension of inadvertently triggering the TOB Rules and early warning requirements, thus restricting the interest of investors in the Shares because of reasons unrelated to their investment objectives. Aggregating Variable Voting Shares and Common Voting Shares for the purpose of the TOB Rules and early warning requirements would facilitate investment in Variable Voting Shares.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Filer publicly discloses the terms of the Exemption Sought in a news release filed on SEDAR promptly following the issuance of this decision document;
- (b) the Filer discloses the terms and conditions of the Exemption Sought in all of its annual information forms and management proxy circulars filed on SEDAR following the issuance of this decision document;
- (c) with respect only to the TOB Relief, the Variable Voting Shares or Common Voting Shares, as the case may be, subject to the offer to acquire of an offeror, together with the Variable Voting Shares and Common Voting Shares beneficially owned, or over which control or direction is exercised, on the date of the offer to acquire, by the offeror or by any person acting jointly or in concert with the offeror, would not constitute, at the date of the offer to acquire, in the aggregate 20% or more of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis;
- (d) with respect only to the Early Warning Relief, the Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, as the case may be, over which the acquiror acquires beneficial ownership of, or the power

to exercise control or direction over, together with the securities of the Filer beneficially owned, or over which control or direction is exercised, by the acquiror or any person acting jointly or in concert with the acquiror, would not constitute 10% or more of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis;

- (e) with respect only to the News Release Relief, the Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, as the case may be, over which the acquiror acquires beneficial ownership of, or the power to exercise control or direction over, together with the securities of the Filer beneficially owned, or over which control or direction is exercised, by the acquiror or any person acting jointly or in concert with the acquiror, would not constitute 5% or more of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis;
- (f) with respect only to the Alternative Monthly Reporting Criteria, the eligible institutional investor will meet any of the eligibility criteria contained in section 4.5 of NI 62-103 by calculating its securityholding percentage using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis, and (ii) a numerator including all of the Variable Voting Shares and Common Voting Shares, as the case may be, beneficially owned or over which control or direction is exercised by the eligible institutional investor; and
- (g) with respect only to the Alternative Disclosure Requirements, the Filer will meet the disclosure requirements contained in Item 6.5 of Form 51-102F5 by calculating the securityholding percentage using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis, and (ii) a numerator including all of the Variable Voting Shares and Common Voting Shares, as the case may be, beneficially owned, or over which control or direction is exercised, directly or indirectly, by any person who, to the knowledge of the Filer's directors or executive officers, beneficially owns, controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the outstanding Variable Voting Shares and Common Voting Shares on a combined basis.

Per: _____

Chris Besko

Director

Manitoba Securities Commission