*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws. Accordingly, except as permitted pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws, these securities may not be offered or sold in the United States (as defined herein). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Liquor Stores N.A. Ltd. at Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta T6E 2A4, telephone (780) 702-7389, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue September 21, 2016

LIQUOR STORES N.A. LTD.

$67,500,000

4.70% Convertible Unsecured Subordinated Debentures

Price: $1,000 per Debenture

This short form prospectus qualifies for distribution (the "**Offering**") $67,500,000 aggregate principal amount of 4.70% convertible unsecured subordinated debentures (the "**Debentures**") of Liquor Stores N.A. Ltd. (the "**Corporation**" or "**Liquor Stores**") at a price of $1,000 per Debenture. The Debentures will bear interest at an annual rate of 4.70%, payable semi-annually in arrears on January 31 and July 31 of each year commencing July 31, 2017, with the initial interest payment representing accrued interest for the period from and including the date of issue to, but excluding, July 31, 2017. The Debentures have a maturity date of January 31, 2022 (the "**Maturity Date**"). See "*Description of the Debentures*".

Debenture Conversion Privilege

Each Debenture will be convertible into freely tradeable common shares ("**Common Shares**") of the Corporation at the option of the holder of a Debenture at any time prior to the close of business on the earlier of the Business Day immediately preceding: (i) the Maturity Date; (ii) the date specified for redemption of the Debentures; and (iii) the date specified by the Corporation for payment upon redemption of the Debentures in connection with a Change of Control, in each case at a conversion price of $14.60 per Common Share (the "**Conversion Price**"), being a conversion rate of approximately 68.4932 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events as described in the Debenture Indenture (as defined herein). Holders converting their Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debenture may be converted during the three Business Days preceding January 31 and July 31 in each year, as the registers of the Debenture Trustee (as defined herein) will be closed during such periods. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "*Description of the Debentures - Conversion Rights*".

The Debentures are not redeemable prior to January 31, 2020, except upon the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after January 31, 2020 and prior to January 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after January 31, 2021, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption. See "*Description of the Debentures — Redemption*".

The Corporation may, at its option, subject to applicable regulatory approval and provided that no Event of Default (as defined herein) has occurred and is continuing, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures that are to be redeemed or that have matured, upon not less than 40 days and not more than 60 days prior notice, by issuing to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. In addition, subject to applicable regulatory approval, freely tradeable Common Shares may be issued to the Debenture Trustee and sold, with the proceeds used to satisfy the obligation to pay interest on the Debentures. See "*Description of the Debentures — Method of Payment*".

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. An investment in the Debentures and the Common Shares is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. See "*Risk Factors*".

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "LIQ". The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof, subject to the Corporation fulfilling all of the listing requirements of the TSX on or before December 13, 2016. On September 7, 2016, the last trading day prior to the announcement of the Offering (as defined herein), the closing price of the Common Shares on the TSX was $10.24. On September 20, 2016, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was $10.56.

	Price: $1,000 per Debenture		
	Price to the public(1)	**Underwriters' fee(2)**	**Net proceeds to the Corporation(3)**
Per Debenture	$1,000	$40	$960
Total	$67,500,000	$2,700,000	$64,800,000

Notes:

(1) The terms of the Offering and the price of the Debentures were determined by negotiation between the Corporation and CIBC World Markets Inc. on behalf of the Underwriters (as defined herein).

(2) The Underwriters' fee represents 4.0% of the offering price of the Debentures.

(3) Before deducting the expenses of the Offering, which are estimated to be approximately $500,000.

(4) Liquor Stores has granted to the Underwriters an option (the "**Over-Allotment Option**") to purchase up to 15% of the principal amount of the Debentures issued under the Offering at a price of $1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Lead Underwriters (as defined herein) on behalf of the Underwriters, at any time up until 30 days after the closing of the Offering for the purposes of covering the Underwriters' over-allocation position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the "Price to the Public", "Underwriters' fee" and "Net proceeds to Liquor Stores" (before deducting expenses of the Offering) will be $77,625,000, $3,105,000 and $74,520,000, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures issued upon the exercise of the Over-Allotment Option. A purchaser who acquires any Debentures forming part of the Underwriters' over-allocation position acquires such Debentures under this short form prospectus regardless of whether the Underwriters' over-allocation position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets out the principal amount of Debentures that may be sold by the Corporation to the Underwriters pursuant to the Over-Allotment Option:

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	$10,125,000 aggregate principal amount of Debentures	Up until 30 days after the closing of the Offering	$1,000 per Debenture

CIBC World Markets Inc., National Bank Financial Inc., Cormark Securities Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and PI Financial Corp. (collectively, the "**Underwriters**"), as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under "*Plan of Distribution*", and subject to the approval of certain legal matters on behalf of the Corporation by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

In connection with the Offering, the Underwriters have been granted the Over-Allotment Option and Liquor Stores has been advised by the Underwriters that, subject to applicable laws, the Underwriters may over-allocate or effect transactions intended to stabilize or maintain the market price of the Debentures and/or the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Underwriters have made a reasonable effort to sell all of the Debentures offered under this short form prospectus at the offering price, the Underwriters may reduce the offering price of any Debentures not sold or otherwise change the selling terms of such Debentures from time to time. Any such reduction will not affect the proceeds to be received by Liquor Stores. See "Plan of Distribution".**

Subscriptions for Debentures offered under this short form prospectus will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the Offering will close on or about September 29, 2016 or such other date not later than the date that is 42 days following the date of the receipt for this short form prospectus as Liquor Stores and CIBC World Markets Inc. on behalf of the Underwriters may agree (the "**Closing Date**").

Except in certain limited circumstances: (i) the Debentures will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Debentures will not be issued to subscribers; and (iii) subscribers will receive only a customer confirmation from an Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures are purchased. See "*Description of the Debentures — Book-Based System for Debentures*".

Investors should be aware that the acquisition, holding and disposition of the securities described in this short form prospectus may have tax consequences in Canada or elsewhere depending on each particular investor's specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. See "*Certain*

Canadian Federal Income Tax Considerations". Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of acquiring Debentures under the Offering.

An investment in Debentures and Common Shares is subject to a number of risks, uncertainties and investment considerations that should be carefully considered by a prospective investor. Prospective investors should carefully review this short form prospectus, and specifically the documents incorporated by reference herein, and the risk factors set out in each such document and herein before purchasing Debentures or Common Shares. The risk factors identified under the heading "*Risks Factors*" in this short form prospectus and in the AIF (as defined herein) should be carefully reviewed and evaluated by prospective investors before making an investment decision. It is important for investors to consider the particular risk factors that may affect the industry in which they are investing, and therefore the stability of the dividends paid by Liquor Stores. An investment in Debentures and/or Common Shares is suitable for only those investors who are willing to risk a loss of their entire investment.

Liquor Stores' *pro forma* net loss attributable to owners of the parent after giving effect to the issuance of the Debentures (before any exercise of the Over-Allotment Option) and the repayment of $64.3 million of Senior Indebtedness under Liquor Stores' credit facilities (see "*Use of Proceeds*"), but before borrowing costs and income tax recovery for the twelve month periods ended December 31, 2015 and June 30, 2016, would have been approximately -10.91 times and -9.91 times Liquor Stores' borrowing cost requirement for these periods. See "*Earnings Coverage Ratios*".

CIBC World Markets Inc. and National Bank Financial Inc. are each wholly-owned subsidiaries of Canadian chartered banks that are lenders to Liquor Stores. Consequently, Liquor Stores may be considered to be a "connected issuer" of each of CIBC World Markets Inc. and National Bank Financial Inc. under applicable Canadian securities legislation. See "Relationship Between Liquor Stores and Certain Underwriters".

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, and subject to the qualifications and assumptions discussed under the heading "Eligibility For Investment", the Debentures and the Common Shares issuable on conversion, redemption or maturity of the Debentures will be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, deferred profit sharing plans (except, in the case of Debentures, a deferred profit sharing plan to which the Corporation or an employer with which the Corporation does not deal at arm's length for purposes of the Tax Act has made a contribution), registered education savings plans, registered disability savings plans and TFSAs. The Debentures and the Common Shares will not be prohibited investments for a RRSP, RRIF or TFSA provided that the annuitant of the RRSP or RRIF, or the holder of the TFSA, deals at arm's length with the Corporation for the purposes of the Tax Act and does not have a significant interest, within the meaning of the Tax Act, in the Corporation. See "*Eligibility for Investment*".

Stephen Bebis is a director and the President and Chief Executive Officer of Liquor Stores and Peter Lynch is a director of Liquor Stores. Each of Messrs. Bebis and Lynch reside outside of Canada and has appointed Liquor Stores N.A. Ltd. at Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta T6E 2A4 as his agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

The head office of the Corporation is located at Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta T6E 2A4. The registered office of the Corporation is located at Suite 2500, 10303 Jasper Avenue, Edmonton, Alberta T5J 3N6.

Prospective investors should rely only on the information contained in this short form prospectus (including the documents incorporated by reference herein). Neither Liquor Stores nor the Underwriters have authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. The information contained in this short form prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this short form prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this short form prospectus or any sale of any of the Debentures. The information contained on Liquor Stores' corporate website is not included or incorporated by reference in this short form prospectus and prospective investors should not rely on such information when deciding whether or not to invest in any of the Debentures. Neither Liquor Stores nor the

Underwriters are making an offer to sell in any jurisdiction where an offer or sale is not permitted by applicable law.

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GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set out below:

"**2012 Debentures**" means the $67.5 million aggregate principal amount of 5.85% convertible unsecured subordinated debentures of the Corporation due April 30, 2018.

"**AIF**" means the annual information form of the Corporation for the year ended December 31, 2015 dated March 9, 2016.

"**Annual Financial Statements**" means the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2015 and 2014, together with the notes thereto and the auditor's reports thereon.

"**Annual MD&A**" means the management's discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2015.

"**Board**" means the board of directors of Liquor Stores.

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday or any other day that the Debenture Trustee in Edmonton, Alberta is not generally open for business.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Change of Control**" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the aggregate votes attaching to the outstanding Common Shares.

"**Circular**" means the information circular of the Corporation for its annual meeting of shareholders held on May 10, 2016.

"**Common Share Interest Payment Election**" has the meaning set forth under "*Description of the Debentures – Method of Payment – Interest Payment Election*".

"**Common Shares**" means common shares of the Corporation.

"**Conversion Price**" means $14.60 per Common Share, subject to adjustment pursuant to the terms of the Debenture Indenture.

"**Conversion Rate**" means the number of Common Shares to be issued upon conversion of $1,000 principal amount of Debentures in accordance with the terms of the Debenture Indenture, which rate will be calculated by dividing the $1,000 principal amount of such Debentures by the Conversion Price for the Debentures then in effect, as adjusted from time to time pursuant to the provisions of the Debenture Indenture.

"**Corporation**" or "**Liquor Stores**" means Liquor Stores N.A. Ltd. and, unless the context otherwise requires, includes its subsidiaries.

"**CRA**" means Canada Revenue Agency.

"**Current Market Price**" means the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the applicable date (or, if the Common Shares are not listed on the TSX, on such stock exchange on which the Common Shares are listed as may be selected for such purpose by the Board and approved by the Debenture Trustee, or if the Common Shares are not listed on any stock exchange, then on the over-the-counter market).

"**Debenture Certificates**" has the meaning set forth under "*Description of the Debentures – Book-Entry System for Debentures*".

"**Debentureholders**" means holders of Debentures.

"**Debenture Indenture**" means the indenture dated December 21, 2007 between the Corporation (as successor to the Fund) and the Debenture Trustee (as successor to Valiant Trust Company, which was the successor to BNY Trust Company of Canada, which was the successor to CIBC Mellon Trust Company), as supplemented by a first supplemental indenture made as of December 31, 2010 and a second supplemental indenture made as of April 23, 2012, and as further supplemented by a third supplemental indenture creating and setting forth the terms of the Debentures to be entered into between the Corporation and the Debenture Trustee.

"**Debenture Offer**" has the meaning set forth under "*Prospectus Summary- The Debentures – Change of Control*".

"**Debenture Offer Price**" has the meaning set forth under "*Prospectus Summary- The Debentures – Change of Control*".

"**Debentures**" means the $67,500,000 aggregate principal amount of 4.70% convertible unsecured subordinated debentures of the Corporation qualified for distribution pursuant to this short form prospectus.

"**Debenture Trustee**" means Computershare Trust Company of Canada in its capacity as debenture trustee of the Debentures pursuant to the Debenture Indenture.

"**Effective Date**" has the meaning set forth under "*Description of the Debentures – Change of Control*".

"**Event of Default**" has the meaning set forth under "*Description of the Debentures – Events of Default and Waiver*".

"**Fund**" means Liquor Stores Income Fund, a predecessor to Liquor Stores.

"**Holder**" has the meaning attributed thereto under the heading "*Certain Canadian Federal Income Tax Considerations*".

"**IFRS**" means the International Financial Reporting Standards, as adopted by the International Accounting Standards Board.

"**Interest Obligation**" has the meaning set forth under "*Description of the Debentures – Method of Payment – Interest Payment Election*".

"**Interest Payment Date**" has the meaning set forth under "*Description of the Debentures – Method of Payment – Interest Payment Election*".

"**Interim Financial Statements**" means the unaudited interim consolidated financial statements of the Corporation as at and for the three and six month periods ended June 30, 2016 and 2015, together with the notes thereto.

"**Interim MD&A**" means the management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and six month periods ended June 30, 2016.

"**Lead Underwriters**" means CIBC World Markets Inc. and National Bank Financial Inc.

"**Make Whole Premium**" has the meaning set forth under "*Description of the Debentures – Change of Control*".

"**Maturity Date**" means the date on which the Debentures will mature, being January 31, 2022.

"**MD&A**" means, collectively, the Annual MD&A and the Interim MD&A.

"**Offering**" means the distribution and offering of the Debentures pursuant to this short form prospectus and the Underwriting Agreement.

"**Participant**" has the meaning attributed thereto under the heading "*Description of the Debentures — Book-Based System for Debentures*".

"**Plan**" has the meaning attributed thereto under the heading "*Eligibility for Investment*".

"**RRIF**" has the meaning attributed thereto under the heading "*Eligibility for Investment*".

"**RRSP**" has the meaning attributed thereto under the heading "*Eligibility for Investment*".

"**Senior Creditor**" means a holder or holders of Senior Indebtedness and includes any representative or representatives or trustee or trustees of any such holder.

"**Senior Indebtedness**" has the meaning set forth under "*Description of the Debentures – Subordination*".

"**Shareholders**" means holders of Common Shares.

"**Stock Price**" has the meaning set forth under "*Description of the Debentures – Change of Control*".

"**Tax Act**" means *the Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended.

"**TFSA**" has the meaning attributed thereto under the heading "*Eligibility for Investment*".

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, CIBC World Markets Inc., National Bank Financial Inc., Cormark Securities Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and PI Financial Corp.

"**Underwriting Agreement**" means the underwriting agreement dated effective as of September 8, 2016 among the Corporation and the Underwriters.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

In this short form prospectus, references to "dollars" or "$" are to Canadian dollars.

Unless otherwise indicated, the disclosure in this short form prospectus assumes that the Over-Allotment Option will not be exercised.

Unless the context otherwise requires, all references in this short form prospectus to Liquor Stores refer to Liquor Stores and its direct and indirect subsidiary entities. Notwithstanding the foregoing, for the purposes of the opinions given under the heading "*Certain Canadian Federal Income Tax Considerations*" and the opinion given under the heading "*Eligibility for Investment*", a reference to Liquor Stores is a reference to Liquor Stores N.A. Ltd. only and is not a reference to any of its subsidiary entities.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to Liquor Stores, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, the Debentures and the Common Shares issuable pursuant to the terms of the Debentures will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan (other than, in the case of Debentures, a deferred profit sharing plan to which contributions are made by the Corporation or by an employer with which the Corporation does not deal at arm's length for the purposes of the Tax Act), registered education savings plan, registered disability savings plan, or a tax-free savings account ("**TFSA**"), each as defined in the Tax Act (each a "**Plan**") provided that, at the time of the acquisition by the Plan, the Common Shares are listed on a designated stock exchange (which currently includes the TSX).

Notwithstanding that the Debentures and the Common Shares, as the case may be, may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Debentures or the Common Shares, as the case may be, are a "prohibited investment" for such RRSP, RRIF or TFSA within the meaning of the Tax Act.

The Debentures and Common Shares will generally not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder of the TFSA or annuitant of the RRSP or RRIF, as the case may be, (i) deals at arm's length with Liquor Stores, for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in Liquor Stores. Common Shares will not be a "prohibited investment" if the Common Shares are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP and RRIF.

Prospective investors who intend to hold Debentures or Common Shares in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward looking statements. These statements relate to future events or the Corporation's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward looking statements, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward looking statements. Such statements represent the Corporation's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of the payment of dividends, capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

This short form prospectus contains forward looking statements concerning the anticipated closing of the Offering and the anticipated use of the net proceeds of the Offering, including the anticipated timing of the redemption of the 2012 Debentures. The closing of the Offering could be delayed if the Corporation is not able to obtain the necessary regulatory approvals required for completion when anticipated. The Offering will not be completed at all if these approvals are not obtained or, unless waived, some other condition to closing is not satisfied. Accordingly there is a risk that the Offering will not be completed within the anticipated time or at all. Forward-looking statements contained in certain documents incorporated by reference into this short form prospectus are based on the key assumptions described in such documents and are subject to the risk factors described in such documents. Investors are cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual results achieved will vary from the information provided in this short form prospectus and in the documents incorporated by reference herein as a result of numerous known and unknown risks and uncertainties and other factors which are discussed in the documents incorporated herein by reference.

Some of the additional risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and in certain documents incorporated by reference herein include, but are not limited to:

- general economic and business conditions in North America and globally;
- volatility in the stock markets and the market price of the Common Shares;
- the ability of management to execute its business plan;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations;
- dependence on suppliers;
- potential delays or changes in plans with respect to capital expenditures and the availability of capital on acceptable terms;
- availability of sufficient financial resources to fund the Corporation's capital expenditures;
- incorrect assessments of the value of acquisitions;
- failure of the Corporation to realize the anticipated benefits of acquisitions and new store developments;
- competition for, among other things, customers, supply, capital and skilled personnel;
- changes in labour costs and the labour market; and
- the other factors described under "*Risk Factors*" in this short form prospectus and in the AIF and Annual MD&A, which are incorporated by reference herein, and described in other filings made by the Corporation with Canadian securities regulatory authorities.

With respect to forward looking statements contained or incorporated by reference in this short form prospectus, the Corporation has made assumptions regarding: anticipated financial performance; business prospects and strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the cost of labour; the impact of increasing competition; the general stability of the economic and regulatory environments in which the Corporation operates; the timely receipt of any required regulatory and third party approvals; the ability of the Corporation to obtain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Corporation to obtain financing on acceptable terms; currency exchange and interest rates; the ability of the Corporation to successfully market its products and services; and the regulatory framework in the jurisdictions in which the Corporation operates.

The information contained in this short form prospectus, including documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. Investors should carefully consider those factors. Management of the Corporation has set out the above summary of assumptions and risks related to forward looking statements included in this short form prospectus and the documents incorporated by reference herein in order to provide potential purchasers of the Debentures with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Investors are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this short form prospectus are made as of the date of this short form prospectus and the Corporation undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

FINANCIAL INFORMATION

This short form prospectus and certain documents incorporated by reference herein make reference to certain non-IFRS financial measures to assist in assessing the Corporation's financial performance. Non-IFRS financial measures do not have standard meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Such non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, profit (loss), cash flow provided by operating activities and other measures of financial performance as determined in accordance with IFRS as an indicator of performance. For additional information regarding these non-IFRS measures, see the MD&A, which is incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Liquor Stores, Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta T6E 2A4, phone (780) 702-7389, or on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The following documents, filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

(a) the AIF;

(b) the Circular;

(c) the Annual Financial Statements;

(d) the Annual MD&A;

(e) the Interim Financial Statements;

(f) the Interim MD&A;

(g) the material change report of the Corporation dated March 11, 2016 related to the reduction in its dividend;

(h) the material change report of the Corporation dated September 12, 2016 related to the Offering; and

(i) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements*) of the term sheet for the Offering dated September 8, 2016.

Any documents of the type referred to above (excluding confidential material change reports) and any business acquisition reports or marketing materials filed by the Corporation with the securities commissions or similar regulatory authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or

an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

MARKETING MATERIALS

Any template version of any "marketing materials" (as such term is defined under applicable Canadian securities laws) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) will be deemed to be incorporated by reference into this short form prospectus.

SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms of the Offering. For a more detailed description of the terms of the Debentures, see "*Description of the Debentures*".

Offering: $67,500,000 aggregate principal amount of Debentures.

Price: $1,000 per Debenture.

Use of Proceeds: The net proceeds of the Offering will be used to initially repay indebtedness under Liquor Stores' credit facilities, thereby providing financial flexibility under such credit facilities to redeem the 2012 Debentures when permitted under the terms thereof, which Liquor Stores intends to do on or about, but not prior to, April 30, 2017. See "*Use of Proceeds*".

Maturity Date: January 31, 2022.

Interest: 4.70% per annum. The interest on the Debentures will be payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2017. The first interest payment on July 31, 2017 will include interest accrued from and including the date of closing of the Offering to, but excluding, July 31, 2017.

Subject to receipt of applicable regulatory approvals and provided that no Event of Default has occurred and is continuing, the Corporation may elect to satisfy its obligation to pay interest on the Debentures by issuing and delivering to the Debenture Trustee freely tradeable Common Shares to be sold by the Debenture Trustee, with the proceeds used to pay interest owing on the Debentures. See "*Description of the Debentures - Method of Payment*".

Conversion: Each Debenture will be convertible into freely tradeable Common Shares at the option of the holder of a Debenture at any time following closing of the Offering and prior to the close of business on the Business Day immediately preceding the earlier of: (i) the Maturity Date; (ii) the date specified by the Corporation for redemption of the Debentures; and (iii) the date specified by the Corporation for payment upon redemption of the Debentures in connection with a Change of Control, in each case at a conversion price of $14.60 per Common Share, being a conversion rate of approximately 68.4932 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. Holders converting their Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debenture may be converted during the three Business Days preceding January 31 and July 31 in each year as the registers of the Debenture Trustee will be closed during such periods. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "*Description of the Debentures — Conversion Rights*".

Redemption:	The Debentures are not redeemable prior to January 31, 2020, except upon the satisfaction of certain conditions after a Change of Control has occurred. On and after January 31, 2020 and prior to January 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after January 31, 2021, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption. See "*Description of the Debentures — Redemption*".
Payment upon Redemption or Maturity:	On redemption or at maturity of the Debentures, the Corporation will repay the indebtedness represented by the Debentures being redeemed or maturing by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of such Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Common Shares will be issued on redemption or at maturity but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of the fractional interest. See "*Description of the Debentures - Method of Payment*".
Restrictions on Share Redemption or Maturity Right:	Liquor Stores will not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which: (a) the number of securities to be issued; (b) the price at which securities are to be issued, converted or exchanged; or (c) any property or cash that is to be distributed or allocated, is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the right to issue Common Shares on redemption or maturity of the Debentures; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the right to issue Common Shares on redemption or maturity of the Debentures. "*Description of the Debentures — Restrictions on Share Redemption or Maturity Right*".
Change of Control:	Within 30 days following the occurrence of a Change of Control, being the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the aggregate votes attaching to the outstanding Common Shares, the Corporation will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding

(the "**Debenture Offer**"), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition (the "**Debenture Offer Price**"). If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. See "*Description of the Debentures – Change of Control*".

Subject to any required regulatory approval and applicable stock exchange requirements, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares consists of: (i) cash; (ii) trust units, limited partnership units or other participating securities of a trust, limited partnership or similar entity; (iii) equity securities that are not traded or intended to be traded immediately following such transaction on a recognized stock exchange; or (iv) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the date on which the Debenture Offer is delivered to the Debentureholders, holders of Debentures will be entitled to convert their Debentures and receive, in addition to the number of Common Shares they otherwise would have been entitled to upon conversion, an additional number of Common Shares as outlined in a table in the Debenture Indenture. See "*Description of the Debentures – Change of Control*".

Subordination: The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final payment of all Senior Indebtedness, including indebtedness to trade and other creditors of the Corporation. See "*Description of the Debentures - Subordination*".

BUSINESS OF LIQUOR STORES

Liquor Stores is Canada's largest private operator of retail liquor stores (as measured by number of stores). Liquor Stores currently operates or has interests in 252 retail liquor stores including 179 stores in Alberta, 34 stores in British Columbia, 22 stores in Alaska, 15 stores in Kentucky, and two stores in New Jersey. Liquor Stores also supplies liquor in Alberta on a wholesale basis to a number of restaurants, golf courses, nightclubs, and other licensees.

Liquor Stores primarily operates under the brand names Liquor Depot, Liquor Barn and Wine and Beyond in Alberta and British Columbia; Brown Jug in Alaska; Liquor Barn "The Ultimate Party Source" and Liquor Barn Express in Kentucky; and "Joe Canal's Discount Liquor Outlet" in New Jersey.

For further information regarding the Corporation and its subsidiaries and their respective business activities, see the AIF and the other documents incorporated by reference herein.

USE OF PROCEEDS

The estimated total net proceeds to be received by the Corporation from the Offering will amount to approximately $64.3 million (approximately $74.0 million assuming the exercise in full of the Over-Allotment Option), after deducting the Underwriters' fee in respect of the Debentures issued and sold by the Corporation and the estimated expenses of the Offering. The net proceeds will be used initially to repay outstanding indebtedness under our existing credit facilities, thereby providing Liquor Stores the financial flexibility under such credit facilities to redeem the 2012 Debentures when permitted under the terms thereof, which Liquor Stores' intends to do on or about, but not prior to, April 30, 2017.

Liquor Stores' current indebtedness under the credit facilities has been incurred in the normal course of business, including in connection with, among other things, the funding of working capital requirements, financing new store development and openings, financing store renovation projects, Liquor Stores' enterprise resource planning system implementation project, and funding certain capital expenditures related to maintenance.

Liquor Stores expects that the use of proceeds from the Offering will advance its overall business objectives of developing, acquiring and operating retail liquor stores in Canada and the United States. No significant event or milestone needs to occur in order for Liquor Stores to achieve such objectives, which remain subject to the normal risks and uncertainties that prevail in the businesses in which Liquor Stores is engaged. See "*Forward-Looking Statements*" and "*Risk Factors*" in this short form prospectus and in the AIF and the Annual MD&A.

While the Corporation currently intends to use the net proceeds of the Offering as stated above, management in its discretion may determine it advisable to reallocate the net proceeds for business reasons, including, among others, due to results of operations or as a result of other business opportunities that may become available to the Corporation. Consequently, there can be no assurance as of the date of this short form prospectus if or how the net proceeds of the Offering may be reallocated.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at June 30, 2016 both before and after giving effect to the Offering. This table should be read in conjuction with the Interim Financial Statements. Other than as set forth below, there have not been any material changes in the share or loan capitalization of the Corporation, on a consolidated basis, since June 30, 2016.

Designation	As at June 30, 2016 before giving effect to the Offering	As at June 30, 2016 after giving effect to the Offering
	(in thousands, except share amounts)	
Long-term Debt(1)	$179,207	$176,349(2)

Designation	As at June 30, 2016 before giving effect to the Offering	As at June 30, 2016 after giving effect to the Offering
Common Shares(3)	$250,647 (27,610,754 Common Shares)	$250,647 (27,610,754 Common Shares)
Equity component of convertible debentures(4)	$3,328	$5,414(5)

Notes:

(1) Long-term debt does not include the current portion of long-term debt. Long-term debt is comprised of advances under Liquor Stores' credit facilities, the 2012 Debentures, finance lease liabilities, and unamortized deferred financing costs. For a general description of Liquor Stores credit facilities, see the Annual MD&A. The credit facilities were subsequently amended on August 31, 2016 to, among other things, increase the size of the U.S. component to USD$15,000 and increase the fixed charge coverage ratio covenant to equal or greater than 1.05:1.00 effective April 1, 2017. As at September 19, 2016, approximately $95,000 is drawn under the credit facilities.

(2) Includes the non-equity component of the Debentures in the estimated amount of $61,442 and reflects the repayment of approximately $64,300 under Liquor Stores' existing credit facilities. See "*Use of Proceeds*".

(3) At June 30, 2016, the Corporation had 381,112 Common Shares reserved for issuance upon the settlement of outstanding equity based compensation awards.

(4) Under IFRS, the convertible debentures of the Corporation, including the Debentures, are, and will be classified as a liability with a portion allocated to equity related to the conversion feature.

(5) The equity component of the Debentures of $2,086 is net of approximately $772 in deferred taxes that is recorded on issuance of the Debentures. The related interest payments, amortization of debt issuance costs and amortization of the discount is expensed using the effective interest rate method.

EARNINGS COVERAGE RATIOS

The following earnings coverages are calculated on a combined basis for the twelve-month periods ended December 31, 2015 and June 30, 2016 and are derived from audited financial information, in the case of the actual twelve months ended December 31, 2015, and unaudited financial information, in the case of the actual twelve-month period ended June 30, 2016.

Under IFRS, the Debentures will be classified on Liquor Stores' statement of financial position as a liability, with a portion allocated to equity in respect of the conversion feature. Initially, the liability recorded in respect of the Debentures will be equal to their principal amount less the portion allocated to equity in respect of the conversion feature and the amount of the transaction costs related to the issuance of the Debentures. Interest is charged to expense using the effective interest rate method such that at maturity the initial liability in respect of the Debentures will accrete to their principal amount. The final determination as to the allocation of the Debentures between liability and equity will be made after the closing of the Offering.

Liquor Stores' *pro forma* borrowing cost requirements, after giving effect to the issuance of the Debentures (before any exercise of the Over-Allotment Option) and the repayment of $64.3 million of Senior Indebtedness under Liquor Stores' credit facilities (see "*Use of Proceeds*") would have been approximately $9,731,000 and $10,716,000, respectively, for the twelve month periods ended December 31, 2015 and June 30, 2016. Liquor Stores' *pro forma* net loss attributable to owners of the parent after giving effect to the issuance of the Debentures (before any exercise of the Over-Allotment Option) and the repayment of $64.3 million of Senior Indebtedness under Liquor Stores' credit facilities (see "*Use of Proceeds*"), but before borrowing costs and income tax recovery for the twelve month periods ended December 31, 2015 and June 30, 2016, would have been approximately $106,181,000 and $106,166,000, respectively, which is approximately -10.91 times and -9.91 times Liquor Stores' borrowing cost requirement for these periods as set out in more detail below. The amount of *pro forma* net earnings attributable to owners of the parent after giving effect to the issuance of the Debentures (before any exercise of the Over-Allotment Option) and the repayment of $64.3 million of Senior Indebtedness under Liquor Stores' credit facilities, but before borrowing costs and income tax expense, required to achieve earnings coverage ratios of one-to-one would be approximately $9,731,000 (an increase of approximately $115,912,000) and $10,716,000 (an increase of approximately $116,882,000) for the twelve month periods ended December 31, 2015 and June 30, 2016, respectively. The earnings coverage ratios for both twelve month periods were impacted by a non-cash provision for impairment of goodwill and intangible assets of approximately $130,313,000 as described further in the notes to the Annual Financial Statements.

	Twelve months ended			
	December 31, 2015		June 30, 2016	
	Actual	Pro forma	Actual	Pro forma
	(*in thousands, except ratios*)			
Net earnings (loss) attributable to owners of the parent	($99,587)	$(100,816)	($99,377)	$(100,349)
Borrowing costs[(1)]	$8,070	$9,731	$9,403	$10,716
Income tax expense (recovery)	($14,664)	$(15,096)	($16,192)	$(16,533)
Numerator for earnings coverage ratio	($106,181)	$(106,181)	($106,166)	$(106,166)
Borrowing costs	$8,070	$9,731	$9,403	$10,716
Earnings coverage ratio[(2)]	(13.16)	(10.91)	(11.29)	(9.91)

Notes:

(1) Pro forma borrowing costs include borrowing costs in respect of the Debentures and assume the repayment of $64.3 million of Senior Indebtedness under Liquor Stores' credit facilities.

(2) For purposes of calculating the earnings coverage ratios the Debentures have been separated into the liability and equity portions, with the fair value of the debt portion estimated at $64.5 million and the equity portion estimated at $3 million. The analysis for the Debentures will be finalized after the closing of the Offering. As such, the earnings coverage ratios have been calculated including the accretion for the portion of the Debentures that are reflected in equity in the calculation of Liquor Stores' interest obligations. If the Debentures had been accounted for in their entirety as debt for the purpose of calculating the earnings coverage ratios, there would be no accretion charges for the portion of the Debentures reflected in equity and the ratios for the twelve months ended December 31, 2015 and June 30, 2016 would have been -11.52 and -10.41, respectively.

The pro forma earnings coverage ratios set forth above (i) give effect to the issuance of the Debentures under this short form prospectus as of the beginning of the applicable period; (ii) assume there are no additional earnings derived from the use of the net proceeds of the Offering; and (iii) do not purport to be indicative of earnings coverage ratios for any future periods.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Debenture Indenture.

General

The Debentures will be issued under the Debenture Indenture. The Debenture Trustee is the trustee under the Debenture Indenture and the Corporation's transfer agent. The Debenture Indenture does not limit the aggregate principal amount of Debentures that may be outstanding from time to time.

The Debentures to be issued will be in the aggregate principal amount of $67,500,000. The Corporation may, from time to time, without the consent of the Debentureholders, issue additional debentures of a different series under the Debenture Indenture, in addition to the Debentures offered hereby.

The Debentures will be dated as of the closing of the Offering and will have a maturity date of January 31, 2022. The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof and will bear interest from and including the date of issue at 4.70% per annum, which will be payable semi-annually in arrears on January 31 and July 31 of each year, commencing on July 31, 2017. The first interest payment will include interest accrued from the date of the closing of the Offering to, but excluding, July 31, 2017. Assuming closing of the Offering occurs on September 29, 2016, the first interest payment payable on July 31, 2017 will be $39.27 per $1,000 principal amount of Debentures.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the Corporation, subject to the receipt of applicable regulatory approvals and provided that no Event of Default has occurred and is continuing, by delivery of fully paid, non-assessable and freely tradeable Common Shares as further described under *"— Method of Payment — Payment of Principal on Redemption or at Maturity*". The interest on the Debentures is payable in lawful money of Canada, including, at the option of the Corporation, in accordance with the Interest Payment Election as described under *"— Method of Payment — Interest Payment Election*".

The Debentures are direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under "- *Subordination*". The Debenture Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or otherwise or from mortgaging, pledging or charging the Corporation's properties to secure any indebtedness.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final payment of all Senior Indebtedness of the Corporation including indebtedness to trade and other creditors of the Corporation. "**Senior Indebtedness**" of the Corporation will be defined in the Debenture Indenture to mean, in effect, the principal of and premium, if any, on and the interest on and any amount in respect of (including any costs, expenses and indemnities arising out of or relating to) all indebtedness, liabilities and obligations of the Corporation, direct or indirect, absolute or contingent, matured or unmatured (whether outstanding as of the date of the Debenture Indenture or thereafter created, incurred, assumed or guaranteed) and including, for greater certainty, claims of trade and other creditors (other than (i) indebtedness evidenced by the Debentures, and (ii) all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures), and also including all indebtedness, liabilities and obligations of the Corporation's subsidiaries, except to the extent the Corporation is a creditor of such Subsidiary ranking at least *pari passu* with such other creditors; unless, in each case, it is provided otherwise by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations.

The Debenture Indenture will provide that in the event of any dissolution, winding-up, liquidation, bankruptcy, insolvency, receivership, creditor enforcement, reorganization or realization or other similar proceedings relating to the Corporation or any of its property or assets (whether voluntary or involuntary, partial or complete) or any other marshalling of the assets and liabilities of the Corporation or any sale of all or substantially all of the assets of the Corporation, then the holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full, or provision will be made for such payment, before the holders of Debentures will be entitled to receive any payment on account of the indebtedness, liabilities and obligations of the Corporation under the Debenture Indenture or the Debentures, whether on account of principal, interest or otherwise.

The Debenture Indenture will also provide that in case of a default that is continuing with respect to any Senior Indebtedness permitting (either at that time or upon notice, lapse of time or satisfaction of other condition precedent) a Senior Creditor to demand payment or accelerate the maturity thereof, unless and until such default shall have been cured or waived or shall have ceased to exist, and provided the Senior Creditor to whom the default relates has given notice of such default to the Corporation, the Corporation will not make any payment, and neither the Debenture Trustee nor the holders of the Debentures will be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) after the happening of such a default, and unless and until such default shall have been cured or waived or shall have ceased to exist, such payments shall be held in trust for the benefit of, and, if and when such Senior Indebtedness shall have become due and payable, shall be paid over to, the Senior Creditors or to the trustee or trustees under any indenture under which any instruments evidencing an amount of such Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to such Senior Creditors.

Conversion Rights

Each Debenture will be convertible into freely tradeable Common Shares at the option of the holder of a Debenture at any time prior to the close of business on the earlier of the Business Day immediately preceding: (i) the Maturity Date; (ii) the date specified by the Corporation for redemption of the Debentures; and (iii) the date specified by the Corporation for payment upon redemption of the Debentures in connection with a Change of Control, in each case at a conversion price of $14.60 per Common Share, being a conversion rate of approximately 68.4932 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. Holders converting their Debentures will receive accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debenture may be converted during the three Business Days preceding January 31 and July 31 in each year as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including:

(a) the subdivision or consolidation of the outstanding Common Shares; and

(b) the distribution or the fixing of a record date for the distribution or issuance to all or substantially all of the holders of Common Shares of:

   (i) Common Shares or shares of another class other than a dividend paid in the ordinary course or a distribution to holders of Common Shares who have elected to receive such distribution in the form of Common Shares or such other shares in lieu of cash dividends paid in the ordinary course;

   (ii) dividends or other distributions in an aggregate amount greater than $0.36 per Common Share per annum;

   (iii) options, rights or warrants;

   (iv) evidence of indebtedness of the Corporation; or

   (v) assets (excluding dividends paid in the ordinary course in an amount not greater than $0.36 per Common Share per annum).

There will be no adjustment of the Conversion Price in respect of any event described in (b) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares, or in the case of any consolidation, amalgamation, arrangement or merger of the Corporation with or into any other entity, or in the case of any sale or conveyance of the assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege will be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive the number of Common Shares or other securities or property such holder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest less any applicable withholding taxes, if any.

Redemption

The Debentures are not redeemable prior to January 31, 2020, except upon the satisfaction of certain conditions after a Change of Control has occurred. On and after January 31, 2020 and prior to January 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after January 31, 2021, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX, if applicable. The Corporation will have the right to purchase Debentures in the market, by tender or by private contract at any time subject to regulatory requirements.

Change of Control

Within 30 days following the occurrence of a Change of Control, being the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the aggregate votes attaching to the outstanding Common Shares, the Corporation will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition.

The Debenture Indenture will contain notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly deliver to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

In addition to the requirement of Liquor Stores to make a Debenture Offer in the event of a Change of Control, subject to any required regulatory approval and applicable stock exchange requirements**,** if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) trust units, limited partnership units or other participating securities of a trust, limited partnership or similar entity; (iii) equity securities that are not traded or intended to be traded immediately following such transaction on a recognized stock exchange; or (iv) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered to Debentureholders, holders of Debentures will be entitled to convert their Debentures and receive, in addition to the number of Common Shares they otherwise would have been entitled to receive upon conversion, an additional number of Common Shares per $1,000 principal amount of Debentures (the "**Make Whole Premium**") based upon the date (the "**Effective Date**") on which the Change of Control becomes effective and the price (the "**Stock Price**") paid per Common Share in the transaction or transactions constituting the Change of Control. The following tables illustrate what the Make Whole Premium would be for each hypothetical Stock Price and Effective Date shown in the tables.

	Stock Price ($)							
	10.41	**10.50**	**10.75**	**11.00**	**11.50**	**12.00**	**12.50**	**13.00**
Effective Date	**Number of Additional Common Shares per $1,000 of Debentures**							
September 29, 2016	27.5687	27.0448	25.6502	24.3355	21.9287	19.7858	17.8736	16.1646
January 31, 2017	27.5687	26.9200	25.4995	24.1609	21.7113	19.5333	17.5936	15.8631
January 31, 2018	27.5687	26.7449	24.9293	23.5018	20.8965	18.5892	16.5448	14.7315
January 31, 2019	27.5687	26.7449	24.5301	22.4159	19.5113	17.0450	14.8744	12.9662
January 31, 2020	27.5687	26.7449	24.5301	22.4159	18.4633	15.1875	12.7864	10.7062
January 31, 2021	27.5687	26.7449	24.5301	22.4159	18.4633	14.8401	11.5068	8.4299

	Stock Price ($)						
	14.00	**15.00**	**16.00**	**18.00**	**20.00**	**22.50**	**25.00**
Effective Date	**Number of Additional Common Shares per $1,000 of Debentures**						
September 29, 2016	13.2600	10.9147	9.0088	6.1717	4.2390	2.6342	1.6032
January 31, 2017	12.9314	10.577	8.6756	5.8700	3.9840	2.4409	1.4636
January 31, 2018	11.6957	9.3013	7.4075	4.7144	3.0050	1.6982	0.9340
January 31, 2019	9.8200	7.4033	5.5575	3.0967	1.7050	0.7951	0.3536
January 31, 2020	7.3757	4.9360	3.1475	0.8022	-	-	-
January 31, 2021	2.9354	0.4327	-	-	-	-	-

Notes:

(1) If holders of Common Shares receive only cash in the transaction or transactions constituting the Change of Control, the Stock Price will be the cash amount paid per Common Share; otherwise, the Stock Price will be equal to the Current Market Price of the Common Shares immediately preceding the Effective Date.

(2) The Stock Prices set forth in the first rows of the table above will be adjusted as of any date on which the Conversion Price of the Debentures is adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Price as so adjusted and the denominator of which is the Conversion Price immediately prior to the adjustment giving rise to the Stock Price adjustment. The number of additional Common Shares to be received in satisfaction of the Make Whole Premium set forth in the table above will also be adjusted as of any date on which the Conversion Price of the Debentures is

adjusted. The adjusted number of additional Common Shares will equal the number of additional Common Shares applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate after such adjustment to the Conversion Price and the denominator of which is the Conversion Rate immediately prior to such adjustment.

(3) If the actual Stock Price is between two Stock Prices on the above table or the actual Effective Date is between two Effective Dates on the above table, the Make Whole Premium will be determined by a straight-line interpolation between the Make Whole Premiums set forth for the two Stock Prices and the two Effective Dates on the table based on a 365-day year, as applicable.

(4) If the actual Stock Price is less than $10.41 or exceeds $25.00, the Make Whole Premium will be zero.

Method of Payment

Payment of Principal on Redemption or at Maturity

On redemption or at maturity of the Debentures, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Common Shares will be issued on redemption or at maturity but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of the fractional interest less any taxes required to be deducted or withheld.

Restrictions on Share Redemption on Maturity Right

Liquor Stores will not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

(a) the number of securities to be issued;

(b) the price at which securities are to be issued, converted or exchanged; or

(c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the right to issue Common Shares on redemption or maturity of the Debentures; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of Liquor Stores' right to issue Common Shares on redemption or maturity of the Debentures.

Interest Payment Election

The Corporation may elect, subject to regulatory approval and provided that no Event of Default has occurred and is continuing, from time to time to satisfy its obligation to pay all or any part of the interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Debenture Indenture (an "**Interest Payment Date**"), by delivering a sufficient number of Common Shares to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Debenture Indenture (the "**Common Share Interest Payment Election**"). The Debenture Indenture will provide that, upon such election, the Debenture Trustee shall have the power to (a) accept delivery from the Corporation of Common Shares, (b) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation may direct in its absolute discretion, (c) invest the proceeds of such sales in Government Obligations (as defined in the Debenture Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted

Government Obligations, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation, (d) deliver proceeds to holders of Debentures sufficient to satisfy the Interest Obligation and (e) perform any other action necessarily incidental thereto as directed by the Corporation in its absolute discretion and subject to the Debenture Trustee's prior consent.

The Debenture Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to affect the Common Share Interest Payment Election. Neither the Corporation's making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Events of Default and Waiver

The Debenture Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (a) failure for 10 days to pay interest on such Debentures when due; (b) failure to pay the principal of such Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (c) default in the delivery, when due, of any Common Shares or other consideration, including any Make Whole Premium, payable upon conversion of a Debenture, which default continues for 30 days; (d) default in the observance or performance of any material covenant or condition of the Debenture Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee, or from Debentureholders holding not less than 25% of the aggregate principal amount of Debentures outstanding, to the Corporation specifying such default and requiring the Corporation to rectify the same; or (e) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion (subject to waiver thereof by the Debentureholders), and will upon request of holders of not less than 25% of the principal amount of the Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Debentures then outstanding may, on behalf of the holders of all such Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders may prescribe.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

The Corporation and the Debenture Trustee may, without the consent or concurrence of the holders of debentures under the Debenture Indenture, by supplemental indenture or otherwise, make any changes or corrections in the Debenture Indenture which they have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

Book-Based System for Debentures

On the Closing Date (i) the Debentures will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Debentures will not be issued to purchasers; and (iii) purchasers will receive only a customer confirmation from the Underwriter or other registered dealer who is a Participant and from or through whom a beneficial interest in the Debentures are purchased.

Neither the Corporation nor the Underwriters or the Debenture Trustee will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Debentures must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of Liquor Stores to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (b) may be unable to pledge Debentures as security.

The Debentures will be issued in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) required to do so by applicable law; (b) the book-based system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to continue as depository with respect to the Debentures and the Corporation has not appointed a successor depository; (d) the Corporation, at its option, decides to terminate the book-based system; or (e) after the occurrence of an Event of Default, Participants acting on behalf of beneficial owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-based system through CDS is no longer in their best interest, and provided that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture.

Upon the termination of the book-based system on the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify the beneficial owners of the Debentures, through CDS, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debenture holders under the Debenture Indenture.

Interest on the Debentures will be paid directly to CDS while the book-based system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder by the Debenture Trustee or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS by the Debenture Trustee while the book-based system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares, if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Debenture Indenture.

Transfers of beneficial ownership in Debentures will be effected through records maintained by CDS or its nominees for such Debentures (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Unless Liquor Stores elects, in its sole discretion, to prepare and deliver Debenture Certificates, beneficial owners who are not Participants in CDS' book-based system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Debentures, may do so only through Participants in CDS' book-based system.

Governing Law

Each of the Debenture Indenture and the Debentures will be governed by, and will be construed in accordance with, the laws of the Province of Alberta.

Stability Rating

The Corporation has not asked for or received a stability rating, and the Corporation is not aware that it has received any other kind of rating, including a provisional rating, from one or more approved rating organizations for the Debentures.

DESCRIPTION OF THE COMMON SHARES

The authorized capital of Liquor Stores consists of an unlimited number of Common Shares and 4,500,000 preferred shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares.

Each Common Share entitles the holder to receive notice of, to attend, and to one vote at, all meetings of the shareholders of Liquor Stores, except meetings of holders of another class of shares. The holders of Common Shares will be, at the discretion of the Board and subject to the preferences accorded to any shares of Liquor Stores ranking senior to the Common Shares from time to time with respect to the payment of dividends, entitled to receive any dividends declared by the Board on the Common Shares. The holders of Common Shares will also be entitled, subject to the preferences accorded to holders of any shares of Liquor Stores ranking senior to the Common Shares from time to time, to share equally, share for share, in any distribution of the assets of Liquor Stores upon the liquidation, dissolution, bankruptcy or winding-up of Liquor Stores or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

Dividend Policy

Currently, monthly cash dividends of $0.03 per Common Share are paid on or about the 15th day of each month to Shareholders of record at the end of the previous calendar month. For information respecting historical dividend payments to Shareholders, see "*Dividends Paid to Shareholders of the Company*" in the AIF. **The historical dividend payments made by the Corporation may not be reflective of future dividend payments and future dividends are not assured or guaranteed. The amount of future dividend payments on Common Shares will be subject to the discretion of the Board and may vary depending on a variety of factors including, among other things, the prevailing economic and competitive environment, Liquor Stores' results of operations and earnings, financial requirements for the operations and growth of the Corporation, the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* for the declaration and payment of dividends, contractual restrictions and financing agreement covenants, fluctuations in working capital, capital expenditure and debt service requirements, and other factors and conditions existing from time to time, which may be beyond the control of the Corporation. See "*Risk Factors*" in the AIF and the Annual MD&A.**

PRICE RANGE AND TRADING VOLUME OF SECURITIES

Common Shares

The following table sets forth trading information for the Common Shares for the periods indicated as reported by the TSX:

Common Shares			
Period	**High ($)**	**Low ($)**	**Volume**
2015			
September	12.05	10.54	1,787,333
October	12.70	10.74	1,298,314
November	12.25	8.30	6,427054
December	8.97	7.39	3,213,126
2016			

Common Shares

Period	High ($)	Low ($)	Volume
January	8.40	6.40	3,127,196
February	8.43	7.04	2,027,277
March	9.06	7.15	5,398,397
April	9.00	7.88	2,542,572
May	8.99	8.08	1,943,155
June	9.58	8.52	2,249,557
July	9.65	9.00	1,362,583
August	10.00	9.10	1,831,032
September (1-20)	10.90	9.86	1,704,966

On September 7, 2016, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was $10.24. On September 20, 2016, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was $10.56.

2012 Debentures

The following tables set forth trading information for the 2012 Debentures for the periods indicated as reported by the TSX:

2012 Debentures

Period	High ($)	Low ($)	Volume
2015			
September	103.00	101.50	5,310
October	104.00	102.76	2,370
November	103.61	99.97	9,460
December	101.25	97.00	12,550
2016			
January	100.50	95.04	8,060
February	99.75	97.25	11,200
March	100.50	98.50	11,185
April	102.50	100.04	9,260
May	103.50	101.25	5,050
June	103.88	101.50	9,070
July	103.50	102.02	2,040
August	102.75	101.75	3,030
September (1-20)	103.71	101.00	872

On September 7, 2016, the last trading day prior to the announcement of the Offering, the closing price of the 2012 Debentures on the TSX was $103.71. On September 20, 2016, the last trading day prior to the date of this short form prospectus, the closing price of the 2012 Debentures on the TSX was $101.60.

PRIOR SALES

The Corporation issued the following Common Shares and securities convertible or exchangeable into Common Shares during the 12 month period prior to the date hereof:

1. In September 2015, Liquor Stores issued 19,581 Common Shares pursuant to its DRIP at a price per Common Share of $11.38.

2. In September 2015, Liquor Stores granted an aggregate of 1,239 deferred Common Shares pursuant to its deferred share plan based on a 5-day volume weighted average trading price of $11.00.

3. In October 2015, Liquor Stores issued 20,811 Common Shares pursuant to its DRIP at a price per Common Share of $10.94.

4. In November 2015, Liquor Stores issued 24,882 Common Shares pursuant to its DRIP at a price per Common Share of $9.38.

5. In December 2015, Liquor Stores issued 30,880 Common Shares pursuant to its DRIP at a price per Common Share of $7.81.

6. In December 2015, Liquor Stores granted an aggregate of 1,678 deferred Common Shares pursuant to its deferred share plan based on a 5-day volume weighted average trading price of $8.34.

7. In January 2016, Liquor Stores granted an aggregate of 10,000 deferred Common Shares pursuant to its deferred share plan based on a 5-day volume weighted average trading price of $8.31.

8. In January 2016, Liquor Stores issued 35,822 Common Shares pursuant to its DRIP at a price per Common Share of $7.14.

9. In February 2016, Liquor Stores issued 37,964 Common Shares pursuant to its DRIP at a price per Common Share of $7.06.

10. In March 2016, Liquor Stores issued 36,243 Common Shares pursuant to its DRIP at a price per Common Share of $7.74.

11. In March 2016, Liquor Stores granted an aggregate of 5,138 deferred Common Shares pursuant to its deferred share plan based on a 5-day volume weighted average trading price of $7.59.

12. In March 2016, Liquor Stores granted an aggregate of 100,301 restricted awards and 100,301 performance awards pursuant to its incentive award plan based on a 5-day volume weighted average trading price of $7.65.

13. In March 2016, Liquor Stores settled an aggregate of 14,056 restricted awards in Common Shares based on a 5-day volume weighted average trading price of $7.65.

14. In April 2016, Liquor Stores settled an aggregate of 5,686 restricted awards in Common Shares based on a 5-day volume weighted average trading price of $7.77.

15. In April 2016, Liquor Stores issued 10,865 Common Shares pursuant to its DRIP at a price per Common Share of $8.08.

16. In May 2016, Liquor Stores issued 10,609 Common Shares pursuant to its DRIP at a price per Common Share of $8.38.

17. In June 2016, Liquor Stores issued 9,618 Common Shares pursuant to its DRIP at a price per Common Share of $8.77.

18. In June 2016, Liquor Stores granted an aggregate of 2,861 deferred Common Shares pursuant to its deferred share plan based on a 5-day volume weighted average trading price of $9.13.

19. In July 2016, Liquor Stores issued 9,600 Common Shares pursuant to its DRIP at a price per Common Share of $8.89.

20. In August 2016, Liquor Stores granted an aggregate of 72,603 restricted awards and 10,047 performance awards pursuant to its incentive award plan based on a 5-day volume weighted average trading price of $9.59.

21. In August 2016, Liquor Stores issued 9,435 Common Shares pursuant to its DRIP at a price per Common Share of $9.13.

22. In September 2016, Liquor Stores issued 8,633 Common Shares pursuant to its DRIP at a price per Common Share of $10.07.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, Liquor Stores has agreed to issue and sell and the Underwriters have severally agreed to purchase, as principals, on the Closing Date, subject to the conditions stipulated in the Underwriting Agreement, an aggregate of 67,500 Debentures offered hereby at a price of $1,000 per Debenture for total gross consideration of $67,500,000. The Debentures are being offered to the public in all of the provinces of Canada. The terms of the Offering and the price of the Debentures have been determined by negotiation between the Corporation and the Underwriters.

The Underwriting Agreement provides that Liquor Stores will pay the Underwriters at the time of closing of the Offering a fee of $40 per Debenture sold pursuant to the Offering (including any Debentures sold pursuant to the exercise of the Over-Allotment Option) in consideration for their services in connection with the Offering.

Liquor Stores has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part at any one time not later than the 30th day following the Closing Date, to purchase up to an additional 10,125 Debentures on the same terms as set forth above solely to cover over-allocations, if any, and for market stabilization purposes. This short form prospectus also qualifies the grant of the Over-Allotment Option and the Debentures issuable upon the exercise thereof. A purchaser who acquires any Debentures forming part of the Underwriters' over-allocation position acquires such Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint nor joint and several and may be terminated at their discretion upon the occurrence of certain stated events, including: (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of the Common Shares is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the TSX or any other competent authority, and such order or proceeding has not been rescinded, revoked or withdrawn; (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its directors or senior officers is announced, commenced or threatened by any securities commission or similar regulatory authority, the TSX or any other competent authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the sole opinion of the Underwriters or any one of them, acting reasonably, the change, announcement, commencement or threatening thereof adversely affects the trading or distribution or marketability of the Common Shares or any other securities of the Corporation, as applicable, and which has not been rescinded, revoked or withdrawn; (iii) there shall have occurred or be discovered any change, as determined by the Underwriters or any one of them in their sole discretion, acting reasonably, in the business, operations, capital or condition (financial or otherwise), business or business prospects of the Corporation or its properties, assets, liabilities or obligations (absolute, accrued, contingent or otherwise), taken as a whole, which in the sole opinion of the Underwriters or any one of them, could reasonably be expected to have a significant adverse effect on the market price or value of the Common Shares or could reasonably result in the purchasers of a material number of Common Shares exercising their right under applicable Canadian securities laws to withdraw from or rescind their purchase or sue for damages in respect thereof; (iv) there should develop, occur or come into effect or existence, or be announced, any event, action, state, condition or occurrence of national or international consequence, or any law, action, regulation or other occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters or any one of them, acting reasonably, seriously adversely affects or involves, or could seriously adversely affect or involve, the North American financial markets generally or the business, operations or affairs of the Corporation (taken as a whole); (v) the Underwriters shall become aware of any material information with respect to the Corporation which had not been publicly disclosed or disclosed in writing to the Underwriters at or prior to the date of the Underwriting Agreement and which, in the sole opinion of the Underwriters or any one of them, acting reasonably, could be expected to have a material adverse effect on the market price or value of the Common Shares or the marketability of the Common Shares or any other securities of the Corporation; or (vi) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of the Underwriting Agreement in any material respect.

The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased under the Underwriting Agreement, and in the event that any one or more of the Underwriters fails to purchase at the time of closing of the Offering its applicable percentage of the total number of Debentures, and the number of such Debentures is 10% or less of the aggregate number of Debentures offered pursuant to the Offering, then the non-defaulting Underwriters are obligated severally, in their respective proportions, to purchase the Debentures which the defaulting Underwriter or Underwriters fail to purchase.

Subject to the terms of the Underwriting Agreement, Liquor Stores has also agreed to indemnify the Underwriters and their respective directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

Liquor Stores has also agreed with the Underwriters that it will not, for the period commencing on September 8, 2016 and ending 90 days after the Closing Date, without the prior written consent of CIBC World Markets Inc. and National Bank Financial Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld, directly or indirectly offer, issue, pledge, sell, contract to sell, announce an intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable for Common Shares, other than: (i) the issuance of Common Shares in connection with the exercise of any currently outstanding options of the Corporation, (ii) the issuance of Common Shares in connection with the payment and settlement of any currently outstanding restricted awards or performance awards granted by the Corporation pursuant to its incentive award plan, (iii) the issuance of options to acquire Common Shares pursuant to the Corporation's stock option plan, and the issuance of Common Shares in connection with the exercise of any such options, (iv) the issuance of awards pursuant to the Corporation's incentive award plan and the issuance of Common Shares in connection with the payment and settlement of any such awards; (v) the issuance of Common Shares pursuant to the DRIP, and (vi) to satisfy any other currently outstanding instruments (including the Debentures) or other contractual commitments in relation to any transaction that has been disclosed to the Underwriters.

The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof, subject to the Corporation fulfilling all of the listing requirements of the TSX on or before December 13, 2016. **There is currently no market through which any of the Debentures may be sold and purchasers may not be able to resell any of the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "*Risk Factors*".**

The Underwriters propose to offer the Debentures initially at the offering price set forth herein. After the Underwriters have made a reasonable effort to sell all of the Debentures at such price, such offering price may be decreased and may be further changed from time to time to an amount not greater than the offering price set forth herein, and the compensation realized by the Underwriters pursuant to the Offering will effectively be decreased by the amount that the price paid by purchasers for the Debentures is less than the original offering price. Any such reduction will not affect the proceeds received by Liquor Stores.

Pursuant to policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Debentures and/or Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made on behalf of a client where the client's order was not solicited during the period of distribution.

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Debentures and/or Common Shares at levels other than those which might otherwise prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Debentures while the Offering is in progress. These transactions may also include making short sales of the Debentures, which involve the sale by the Underwriters of a greater number of Debentures than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Debentures in the open market. In making this determination, the Underwriters will consider, among other things, the price of the Debentures available for purchase in the open market compared with the price at which they may purchase Debentures through the Over-Allotment Option. If, following the closing of the Offering, the market price of the Debentures decreases, the short position created by the over-allocation position in the Debentures may be filled through purchases in the open market, creating upward pressure on the price of the Debentures. If, following the closing of the Offering, the market price of Debentures increases, the over-allocation position in the Debentures may be filled through the exercise of the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Debentures in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Debentures in the open market that could adversely affect investors who purchase in the Offering. Any naked short position would form part of the Underwriters' over-allocation position. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position resulting from any covered short sales or naked short sales will acquire such Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Neither the Debentures offered hereby nor the Common Shares issuable upon conversion, redemption or maturity of the Debentures have been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

RELATIONSHIP BETWEEN LIQUOR STORES AND CERTAIN UNDERWRITERS

CIBC World Markets Inc. and National Bank Financial Inc. are each wholly-owned subsidiaries of Canadian chartered banks that are members of a syndicate that has made credit facilities available to Liquor Stores. Consequently, Liquor Stores may be considered a connected issuer of such Underwriters for the purposes of the securities regulations of certain Canadian provinces.

As at September 19, 2016, approximately $95.0 million of indebtedness was outstanding under those credit facilities, $64.3 million of which is expected to be temporarily repaid with the net proceeds of the Offering (see "*Use of Proceeds*"). Liquor Stores is in compliance with the terms and conditions thereof and no breach of the agreement establishing the credit facilities has been waived by the lenders thereto, nor has there been any material change in the financial position of Liquor Stores since the establishment of the credit facilities, except as previously disclosed by Liquor Stores or as described elsewhere in this short form prospectus or the documents incorporated by reference herein. The decision by the Underwriters to purchase the Debentures was made independently of their affiliated lenders, and those lenders had no influence as to the determination of the terms of the distribution of the

Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations with Liquor Stores and CIBC World Markets Inc., without involvement of the Underwriters' affiliated lenders.

As a consequence of the Offering, each of CIBC World Markets Inc. and National Bank Financial Inc. will receive its respective portion of the Underwriters' fee payable by Liquor Stores, and it is expected that their affiliated lenders will receive a portion of the proceeds from the Offering from Liquor Stores as a partial repayment of outstanding indebtedness under the credit facilities. See "*Use of Proceeds*".

In addition, certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for Liquor Stores, for which they received or will receive customary fees

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP and Blake, Cassels & Graydon LLP the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to the acquisition, holding and disposition of Debentures and Common Shares by a holder (i) who acquires Debentures pursuant to this Offering, (ii) who, for purposes of the Tax Act, and at all relevant times, is or is deemed to be resident in Canada, (iii) who, for purposes of the Tax Act and at all relevant times, holds the Debentures and will hold the Common Shares issuable upon redemption, maturity or conversion thereof (the "**Offered Securities**") as capital property, and (iv) who, at all relevant times, deals at arm's length with Liquor Stores and the Underwriters and is not affiliated with Liquor Stores or the Underwriters (a "**Holder**"). Generally, Offered Securities will be considered to be capital property to a Holder provided the Holder does not hold the Offered Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Offered Securities as capital property may, in certain circumstances, be entitled to have their Offered Securities and every other "Canadian security" as defined in the Tax Act owned or subsequently acquired by them treated as capital property in the taxation year the election is made and in all subsequent taxation years by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a Holder that is a "financial institution" (as defined in the Tax Act for the purposes of the mark-to-market rules), (ii) a Holder where an interest in such Holder would be a "tax shelter investment" (as defined in the Tax Act), (iii) a Holder that is a "specified financial institution" (as defined in the Tax Act), (iv) a Holder whose functional currency for purposes of the Tax Act is the currency of a country other than Canada, (v) a Holder who has entered or will enter into a "derivative forward agreement" (as defined in the Tax Act) with respect to any of the Offered Securities, (vi) a Holder that would receive dividends on any Common Shares issuable on conversion, redemption or maturity of the Debentures under or as part of a "dividend rental arrangement" as defined in the Tax Act, or (vii) a Holder that is a corporation resident in Canada and is (or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is), or becomes as a part of a transaction or event or series of transactions or events that includes the acquisition of the Debentures or the Common Shares issuable on conversion, redemption or maturity of the Debentures, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. **Any such Holder should consult its own tax advisor with respect to an investment in the Offered Securities.** In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Debentures under this Offering.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Proposed Amendments**") and counsels' understanding of the current administrative and assessing policies and practices of the CRA published in writing by it prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or administrative and assessing policies and practices, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Offered Securities, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Consequently, Holders and prospective Holders of Debentures should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Debentures pursuant to this Offering, having regard to their particular circumstances.

Taxation of Debentureholders

Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it from the date of the last interest payment until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder of Debentures, including an individual (other than a trust described in the preceding paragraph), will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder of Debentures in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Debenture is an "investment contract" (as defined in the Tax Act) in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Holder's income for that year or a preceding year.

A Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income", which, as defined in the Tax Act, includes interest income.

As described above under the heading "*Description of the Debentures - Method of Payment – Interest Payment Election*", the Corporation may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Holder would be entitled to a cash payment from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation was to satisfy an Interest Obligation in this manner, the Canadian federal income tax consequences to a Holder generally would not differ from those described above.

Exercise of Conversion Privilege

A Holder of Debentures that converts a Debenture into Common Shares (or Common Shares and cash in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture, and accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Holder who, upon conversion of a Debenture, receives cash not in excess of $200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or a capital loss), or reduce the adjusted cost base of the Common Shares that the Holder receives upon conversion by the amount of the cash received.

Any accrued interest paid to the Holder upon the exercise of the conversion privilege will be included in income of the Holder as described above under "*Interest on Debentures*". Any Holder that disposes of its Debentures on a conversion for consideration equal to fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the Holder in respect of such interest.

The aggregate cost to a Holder of the Common Shares acquired on the conversion will generally be equal to the Holder's adjusted cost base of the Debenture immediately before the conversion, minus any reduction of adjusted cost base for cash in lieu of fractional shares discussed above. The adjusted cost base to a Holder of Common Shares acquired at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Holder as capital property at the time.

Dispositions of Debentures

A disposition or deemed disposition of a Debenture by a Holder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Holder's right of conversion as described above, will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (computed as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption or maturity of a Debenture by issuing Common Shares to the Holder, the Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (including cash paid in lieu of fractional Common Shares), but not including amounts in respect of accrued interest, as described below. The Holder's cost of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Holder of Common Shares acquired at anytime will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Holder as capital property at that time.

Any amount paid by Liquor Stores to a Holder as a penalty or bonus because of the redemption of or repurchase by it of a Debenture before the maturity thereof (for example, where the redemption price or purchase price is in excess of the principal amount) generally will be deemed to be interest (which will be excluded in computing the Holder’s proceeds of disposition of the Debenture) received on the Debenture by the Holder at the time of payment to the extent that such amount can reasonably be considered to relate to, and does not exceed the value at the time of redemption or repurchase of, the interest that, but for the redemption or repurchase, would have been paid or payable by Liquor Stores on the Debenture for a taxation year of Liquor Stores ending after the redemption or repurchase. Such interest will be required to be included in computing the Holder’s income in the manner described above under "*Interest on Debentures*".

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will be included in computing the income of the Holder as described above under "*Interest on Debentures*", except to the extent that such amount was included in the Holder's income for the taxation year or a preceding taxation year, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

Any Holder that disposes of its Debentures (including on a conversion) for consideration equal to fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the Holder in respect of such interest.

Taxation of Shareholders

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Holder (except to Liquor Stores) will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceed (or are less than) the aggregate of the adjusted cost base to the Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

Receipt of Dividends on Common Shares

Dividends received or deemed to be received on Common Shares held by a Holder will be included in computing the Holder's income for the purposes of the Tax Act.

Such dividends received or deemed to be received by a Holder who is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit in respect of dividends designated by Liquor Stores as "eligible dividends". There may be limitations on the ability of Liquor Stores to designate dividends as "eligible dividends".

Taxable dividends received by a Holder who is an individual (other than certain trusts) may result in such Holder being liable for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

A Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations are urged to consult their own tax advisors having regard to their particular circumstances.

A Holder that is a "private corporation" or "subject corporation" (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Holder's taxable income.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year generally must be deducted from taxable capital gains realized by the Holder in the year of disposition. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by a Holder who is an individual (other than certain trusts) may result in such Holder being liable for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

RISK FACTORS

An investment in the Debentures and Common Shares is subject to certain risks. Investors should carefully consider the risks described below, the risk factors described in the AIF and the MD&A (including all of the risks factors described under the heading "Risk Factors" in the AIF and the Annual MD&A) and other information elsewhere in this short form prospectus and the documents incorporated by reference herein, prior to making an investment decision. If any of such or other risks occur, Liquor Stores' business, prospects, financial condition, results of operations and cash flows could be materially adversely affected. In that case, the trading price of the Debentures and Common Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described in this short form prospectus and the documents incorporated by reference herein or other unforeseen risks.

Use of Proceeds

The Corporation currently intends to allocate the proceeds received from this Offering as described under "*Use of Proceeds*" in this short form prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*", including that the 2012 Debentures may be redeemed earlier or later than expected, or not at all, if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Potential Acquisition, Investment and Disposition Opportunities

In the normal course, the Corporation evaluates and considers, and may be engaged in discussions with respect to, potential acquisition, investment and disposition opportunities that it believes may assist it in achieving its business and growth plans, and in connection therewith it may at any time have outstanding non-binding letters of intent or conditional agreements which may or may not be material. There can be no assurance that any of these discussions, non-binding letters of intent or conditional agreements will result in a definitive agreement with respect to an acquisition, investment or disposition, and, if they do, what the terms or timing of such would be or that such acquisition, investment or disposition will be completed by the Corporation. If the Corporation does complete any such transaction, it cannot assure investors that the transaction will ultimately strengthen Liquor Stores' financial or operating results, prospects or competitive position or that it will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of the Corporation's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the Corporation, and the resources committed to such activities will not be available to the Corporation for other purposes.

Risks Related to the Debentures

No Prior Public Market for the Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. Although Liquor Stores has applied to list the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof on the TSX, listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the price at which the Debentures trade may be adversely affected.

The market price of the Debentures may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Corporation; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Corporation; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) the market price and volatility of the Common Shares; (viii) changes in the industry in which the Corporation operates and competition affecting the Corporation; and (ix) general market and economic conditions in North America and globally.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

Prior Ranking Indebtedness

The Debentures will be subordinate to all Senior Indebtedness of the Corporation and to any indebtedness of trade creditors of the Corporation. The Debentures will also be effectively subordinate to claims of creditors of the Corporation's subsidiaries for payment of which the Corporation is responsible or liable, whether absolutely or contingently. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

Absence of Covenant Protection

The Debenture Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness. Nor will the Debenture Indenture prohibit or limit the ability of the Corporation to pay dividends, except where an Event of Default has occurred and such default has not been cured or waived. The Debenture Indenture will not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Possible Dilutive Effects on Holders of Common Shares

The Corporation may determine to redeem outstanding Debentures for Common Shares or repay outstanding principal amounts of the Debentures at maturity by issuing additional Common Shares. Accordingly, holders of Common Shares may suffer dilution.

Credit Risk and Earnings Coverage Ratios

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness. See "Earnings Coverage Ratios", which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Debentures when due.

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the Corporation, in whole or in part at any time on and after January 31, 2020, subject to certain conditions, at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. Holders of Debentures should understand that this redemption option may be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interests of the Corporation to redeem the Debentures. See "*Description of the Debentures — Redemption*".

Change of Control

The Corporation will be required to make an offer to purchase all of the outstanding Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Debenture Indenture governing the Debentures, by the terms of other present or future agreements relating to the Corporation's credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation's obligation to offer to purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain a consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Debenture Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

In the event that Debentureholders holding 90% or more of the Debentures have tendered their Debentures for purchase pursuant to the Debenture Offer, the Corporation may redeem the remaining Debentures on the same terms. In such event, the conversion privilege associated with the Debentures would be eliminated. See "*Description of the Debentures — Change of Control*".

Conversion Following Certain Transactions

Pursuant to the Debenture Indenture, in the event of certain transactions each Debenture will become convertible into the securities, cash or property receivable by a shareholder of Liquor Stores in accordance with such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors. See "*Description of the Debentures — Conversion Rights*".

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price and may result in greater volatility in the market price of the Debentures than would otherwise be expected for non-convertible securities. Market price fluctuations in the Common Shares may be due to actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Corporation, the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*". In addition, the market price for securities in the stock markets have at times experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Common Shares.

No Increased Payments if Withholding is Required

The Debenture Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. Non–residents of Canada should consult their own tax advisors regarding the tax consequences of acquiring and holding Debentures.

Investment Eligibility

The Corporation will endeavour to ensure that the Debentures continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts as described under "*Eligibility for Investment*". No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans.

Forward-Looking Statements may Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Forward-Looking Statements*".

EXPERTS

Certain legal matters in connection with the issuance of the Debentures and the Common Shares issuable upon conversion of the Debentures offered hereby will be passed upon on behalf of the Corporation by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As of the date of this short form prospectus, partners and associates of Burnet, Duckworth & Palmer LLP, as a group, and partners and associates of Blake, Cassels & Graydon LLP, as a group, each owned, beneficially or of record, less than 1.0% of the outstanding Common Shares.

PricewaterhouseCoopers LLP have confirmed that they are independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

PURCHASERS' CONTRACTUAL RIGHTS

Under the Debenture Indenture, in the event that this short form prospectus (including documents incorporated therein by reference) or any amendment thereto contains a misrepresentation, original purchasers of Debentures that have exercised the conversion privilege and converted their Debentures into Common Shares will have a non-assignable contractual right of rescission against Liquor Stores entitling them to receive from Liquor Stores, upon surrender the Common Shares issued upon such conversion, the amount paid for the Debentures so converted, provided that such right of rescission is exercised within 180 days of the date of the purchase of the Debentures under this short form prospectus. This contractual right of rescission will be subject to the defenses, limitations and other provisions set forth in the Debenture Indenture and is in addition to any other right or remedy available to original purchasers of Debentures at law.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE CORPORATION

Dated: September 21, 2016

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

LIQUOR STORES N.A. LTD.

(Signed) Stephen Bebis President and Chief Executive Officer	(Signed) Matthew Rudd Senior Vice President and Chief Financial Officer

On behalf of the Board of Directors of Liquor Stores N.A. Ltd.

(Signed) Jim Dinning Director	(Signed) David B. Margolus Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 21, 2016

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

CIBC WORLD MARKETS INC.

(Signed) Ryan Voegeli
Managing Director

NATIONAL BANK FINANCIAL INC.

(Signed) Brad Spruin
Director

CORMARK SECURITIES INC.

(Signed) Chris Shaw
Managing Director

RBC DOMINION SECURITIES INC.

(Signed) Carrie Cook
Managing Director

SCOTIA CAPITAL INC.

(Signed) Dany Beauchemin
Managing Director

PI FINANCIAL CORP.

(Signed) Blake Corbet
Managing Director