

LIQUOR STORES N.A. LTD.

REVISED ANNUAL INFORMATION FORM

For the Year Ended December 31, 2014

Dated as at March 4, 2015



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1. Defined Terms

Please refer to the "Glossary of Terms" in **Schedule "A"** for a list of defined terms used in this Revised Annual Information Form.

2. Currency

All dollar amounts in this Revised Annual Information Form are in Canadian dollars unless otherwise stated. On March 3, 2015, the Bank of Canada closing rate for one United States dollar was \$1.249 Canadian dollars.

3. Forward Looking Statements

This Revised Annual Information Form contains forward-looking statements. All statements other than statements of historical fact contained in this Revised Annual Information Form are forward-looking statements, including, without limitation, statements regarding the future financial position, cash dividends, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving Liquor Stores N.A. Ltd. (the "**Corporation**" or "**Liquor Stores**"). Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words and the negative thereof. In particular, the forward-looking statements in this Revised Annual Information Form include (but is not limited to) statements with respect to: new store acquisitions and development; performance of the Corporation's U.S. and/or Canadian operations; the updating of aesthetic elements of store designs; and the amount and timing of the payment of dividends of Liquor Stores. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this Revised Annual Information Form. Although Management believes that the expectations represented in such forward looking statements are reasonable there can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to: risks relating to government regulation and changes thereto (whether by court decisions, citizen referenda, or otherwise); competition; the state of the economy; the unpredictability and volatility of Liquor Store's common share price; restrictions on potential growth; restrictions on the potential growth of Liquor Stores as a consequence of the payment of cash dividends by Liquor Stores representing a substantial amount of its operating cash flow; changes in commodity tax rates and government mark-ups; risks relating to future acquisitions and development of new stores; Liquor Stores' ability to locate and secure acceptable store sites and to adapt to changing market conditions; poor weather conditions; dependence on key personnel; labour costs, shortages and labour relations including Liquor Stores' ability to hire and retain staff at current wage levels and the risk of possible future unionization; supply interruption or delays; reliance on information and control systems; income tax changes; leverage and restrictive covenants in agreements relating to current and future indebtedness of Liquor Stores; credit risks arising from operations; dilution and future sales of Liquor Stores common shares; and the potential lack of an active trading market for Liquor Stores' common shares and convertible debentures. These factors should not be construed as exhaustive. The information contained in this Revised Annual Information Form, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of Liquor Stores.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Revised Annual Information Form are made as of the date of this Revised Annual Information Form and Liquor Stores assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities law.

4. Effective Date of Information

Except where otherwise indicated, the information in this Revised Annual Information Form is presented as at the end of Liquor Stores' most recently completed financial year, being December 31, 2014.

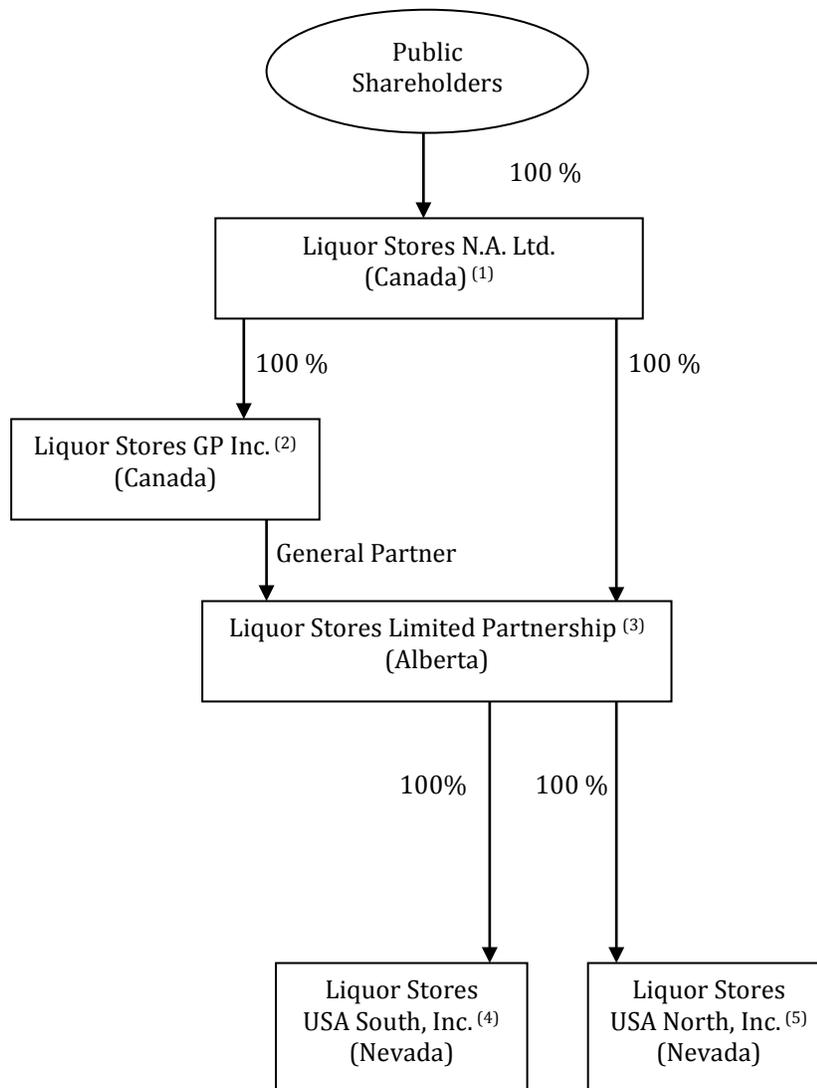
5. Corporate Profile

General

Liquor Stores N.A. Ltd. is a corporation incorporated under the CBCA and commenced operations as such on December 31, 2010. We are the successor to Liquor Stores Income Fund. Our head office is located at Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta, T6E 2A4, and our registered office is located at Suite 2500, 10303 Jasper Avenue, Edmonton, Alberta T5J 3N6. Our Common Shares and Convertible Debentures trade on the TSX under the trading symbols "LIQ" and "LIQ.DB.A", respectively.

Intercorporate Relationships

The following chart illustrates on a simplified basis the structure of Liquor Stores and its material Subsidiaries, including the jurisdiction of incorporation/registration of the corporations and partnerships, as at the date hereof.



- (1) All material subsidiaries listed herein are indirectly 100% owned and controlled by Liquor Stores N.A. Ltd.
- (2) Liquor Stores GP Inc. is the general partner of Liquor Stores Limited Partnership, and owns all of the GP units of Liquor Stores Limited Partnership.
- (3) Liquor Stores Limited Partnership owns and operates all stores located in the Provinces of Alberta and British Columbia directly and through subsidiary entities.
- (4) Liquor Stores USA South Inc. owns and operates all stores located in the State of Kentucky directly and through subsidiary entities.
- (5) Liquor Stores USA North Inc. directly owns and operates all stores located in the State of Alaska.

6. Description of our Business

Liquor Stores is North America's largest publicly-traded operator of retail liquor stores (as measured by number of stores and revenue). As of March 4, 2015, Liquor Stores operates or has interests in 244 retail liquor stores including 173 stores in Alberta, 35 stores in British Columbia, 23 stores in Alaska, and 13 stores in Kentucky. Liquor Stores also supplies liquor in Alberta on a wholesale basis to a number of restaurants, lounges, nightclubs, and other licensees. For the year ended December 31, 2014 approximately 98.3% of Liquor Stores' sales in Canada (2013 – 98.3%) and approximately 87.8% of its sales in the United States (2013 – 87.3%) were derived from the sale of alcoholic beverages.

Liquor Stores primarily operates under the brand names "Liquor Depot", "Liquor Barn", and "Wine and Beyond" in Alberta; "Liquor Depot", "Liquor Barn" and "Wine Cellar" in British Columbia; "Brown Jug" in Alaska; and "Liquor Barn, The Ultimate Party Source" and "Liquor Barn Express" in Kentucky.

Of our 244 stores as at March 4, 2015, 11 are destination/large-format stores, 231 are full liquor stores, and two are wine only stores. Product selection throughout the various brands is tailored to each location. Stores in Canada generally range in size from 2,000 to 5,000 square feet. Our U.S. stores are larger in size. The Corporation's stores in Alaska range in size from 1,400 to 14,000 square feet and we have a combined store and warehouse premises in Alaska in excess of 40,000 square feet. Our Kentucky stores range in size from 2,700 to 30,000 square feet as well as a flagship store of 44,000 square feet. Our two Wine & Beyond stores, our destination/large-format stores in Alberta, with areas of approximately 17,000 and 20,000 square feet, respectively, are the largest liquor retail stores in western Canada.

Since the end of fiscal 2011 to fiscal 2014 year-end, the Company has grown as illustrated by the following:

- Sales have grown 17.4% to \$694.2 million.
- Number of store locations has increased from 239 stores to 243 stores.
- Property and equipment has grown from \$38.8 million to \$50.9 million, a 31.4% increase.
- New brands were introduced, including Wine and Beyond in 2012.

The following table shows the number of Liquor Stores outlets in Alberta, British Columbia, Alaska, and Kentucky, as well as major markets within those jurisdictions, as at March 4, 2015:

Alberta			British Columbia			Alaska		Kentucky			Total
Edmonton ⁽¹⁾	Calgary ⁽¹⁾	Other ⁽²⁾	Lower Mainland	Vancouver Island	Interior	Anchorage	Other ⁽³⁾	Lexington	Louisville	Other ⁽⁴⁾	
79	43	51	13	11	11	19	4	6	4	3	244
173			35			23		13			

Notes:

- (1) References to Edmonton and Calgary are to stores located in or near those urban centres.
- (2) Other stores in Alberta by region: Northern (26), Southern (nine), Central (14) and resort communities (two).
- (3) Other communities served in Alaska include Wasilla (three stores) and Fairbanks (one store).
- (4) Other communities served in Kentucky include Danville, Bowling Green, and Elizabethtown.

The following table shows the number of stores which Liquor Stores operated or had an investment in, at the end of the most recent three calendar years. The decrease in store count between 2012 and 2014 is attributable primarily to the closure of certain underperforming stores in the Alberta market.

Year ending Dec. 31	Stores
2014	243
2013	246
2012	249

7. THE ALCOHOLIC BEVERAGE MARKET

In Canada, beer and liquor stores and agencies sold \$21.4 billion worth of alcoholic beverages during the twelve-months ended March 31, 2013⁽¹⁾, an increase of 2.2% from the previous year (Statistics Canada). Over the 10-year period from 2003 to 2013, retail sales in Canada grew at a compound annual growth rate of 3.5% (Statistics Canada) with wine and spirits accounting for an increasing share of the market, reflecting changing consumer preferences. In 2003, beer had a 50% share of the Canadian market, wine accounted for 24% of sales and spirits accounted for 26%. According to Statistics Canada's most recent figures, beer is still the most popular category, but has fallen to 43% of sales, while wine's market share has grown to 32% and spirits to 25%. In 2003 according to Statistics Canada, Alberta's share of the Canadian alcoholic beverage market was 9.8% and British Columbia's share was 13.5% (combined share of 23.3%). By 2013, Alberta's share of the Canadian alcoholic beverage market had grown to 11.3% and British Columbia's share had grown to 14.5% (combined share of 25.8%). Alcoholic beverage sales in British Columbia totalled \$3.1 billion for the twelve-months ended March 31, 2013, growing 2.4% from the previous year. In British Columbia, sales of wine showed the strongest growth at 4.1%, beer increased 0.7%, and spirits increased 2.7%. In Alberta, alcoholic beverage sales totalled \$2.4 billion for the twelve-months ended March 31, 2013, a 7.0% increase over the previous year. In Alberta, beer sales increased 4.5%, wine sales increased 11.0%, and spirits increased 7.6% (Statistics Canada).

Comparable data for the Alaska and Kentucky markets or the United States in general is not available in the public domain.

8. BUSINESS STRENGTHS

We attribute our success to the following competitive strengths:

Our Brands - The retail liquor store industry in Alberta, British Columbia, Kentucky and Alaska is a fragmented market. We operate some of the leading liquor retail brands in our respective markets. Our brands include:

- *Liquor Depot/Liquor Barn* – Convenience-focused stores located in Alberta and British Columbia, focused on convenient locations and store layouts, and great selection at fair prices.
- *Wine and Beyond* – Destination/large-format stores located in Alberta that are dedicated to having the best selection of wine, spirits and beer and strong customer service.
- *Wine Cellar* – Wine centric stores located in British Columbia, with a unique wine selection and a staff as passionate as our customers about the product that we sell.
- *Brown Jug* - Convenience-focused stores located in Alaska, focused on convenient locations and store layouts, and great selection at fair prices.
- *Liquor Barn, The Ultimate Party Source* - Destination/large-format stores located in Kentucky that are dedicated to having the best selection of wine, spirits, beer, and party supplies and strong customer service.
- *Liquor Barn Express* - Convenience-focused stores located in Kentucky, focused on convenient locations and store layouts, and great selection at fair prices.

Location - Liquor Stores' business model is based on highly visible and accessible store locations. We endeavour to locate our stores in areas where access to customers is maximized such as near grocery stores or on main arteries in or near residential areas. Approximately 60% of Liquor Stores' Canadian outlets are located in or near shopping centres with major grocery stores or other anchor tenants. With respect to its U.S. operations, Management believes that location is a key factor in the success of a liquor store and consequently we endeavour to locate our stores in high-traffic areas and major thoroughfares. Although very few of Liquor Stores' U.S. outlets are located in or near shopping centers with grocery stores and large anchor tenants, Management believes its U.S. stores enjoy easy-customer access and enhanced street visibility.

Product Selection - Our stores offer an impressive selection of wine, spirits, coolers, liqueurs, beer, and specialty products. Product selection is individually tailored to our store brands and formats. In our convenience-focused stores, product selection varies between 1,000 and 4,000 wine, spirit, cooler and beer items, which management believes is a larger product selection and inventory than the industry average. Our Wine and Beyond large-format "destination" stores offer over 10,000 items. New, exclusive and preferred label varieties and products arrive in our stores throughout the year. Similar to our Wine and Beyond stores, our U.S. stores offer a significantly larger product selection than our convenience-focused stores, and although selection is again location-specific, alcoholic product selection in certain U.S. stores generally exceeds 7,000 items. In addition, we sell non-alcoholic beverages including pop, juice, bottled water and mixes, along with accessories for gift giving and everyday use such as gift bags, wine charms, bottle stoppers, aerators, bar supplies and unique items. In Kentucky we have a specialty grocery offering focused on party and entertainment food items such as cheese, deli meats, olives, chips and crackers, desserts, and select frozen food items.

Effective Sales Staff - We pride ourselves on our customer service with employees who are well-versed in each liquor category to best serve our customers. We strive to have dedicated staff with product knowledge that they are enthusiastic to share. Liquor Stores endeavours to maintain product knowledgeable managers, assistant managers and line staff through frequent seminars and training. In 2013, we implemented a new company-wide training program called Liquor Stores University offered in person and online, with a goal of further fostering a customer-focused sales-driven culture in our stores. All new staff members receive training in Company policies and basic product knowledge, selling skills, operations overview, loss prevention and robbery prevention. In the destination/large-format stores, store staff includes well-trained wine, beer, and spirits specialists.

Strategic Markets - Management's primary strategy in Canada and the United States is to focus on urban centres such as the Calgary, Edmonton, Vancouver, and the Anchorage, Louisville and Lexington metropolitan areas. Here we find the best opportunities for larger per store revenues and likelihood of population

increases. The Company is also exploring potential growth opportunities in other U.S. cities. While our focus is primarily on urban centres, we also have stores in other communities including rural or smaller urban centres where demographic and economic conditions warrant, such as those with resource-based economies. Such communities include Ft. McMurray, Alberta (seven stores), Grande Prairie (nine stores) and the destination/large-format store in Fairbanks, Alaska that was opened in Q4 2013.

Store Design and Format - Liquor Stores generally designs its stores to optimize traffic flow and present its products in an upscale environment. Management has recently initiated a store “refresh” program and intends to update, modernize and refurbish a large number of stores. Our stores feature wooden cases and tasteful shelving as a primary display mechanism. Innovative new store layouts feature a fresh, contemporary design and interactive experiences. In certain stores, we offer in-store tasting sessions, seminars, recipes, social events and other in-store initiatives to enhance our customers’ experience and to promote new products.

Economies of Scale - Liquor Stores’ leading market position, large-scale operations (relative to most other industry participants), and cross-border presence provide it with a number of competitive advantages including: the benefit of operating efficiencies relative to non-liquor expenses (including finance, marketing, human resources, and corporate); and greater access to capital. In both Alaska and Kentucky, we benefit from purchasing efficiencies and we have the ability to negotiate volume-discounts on our liquor purchases. As we continue to expand in these two U.S. jurisdictions, and possibly others, we expect our competitive purchasing advantage to increase.

Stable and Growing Industry - The retail liquor business in our current geographic markets is characterized by relatively stable demand. Total wholesale liquor sales in Alberta have grown at a compound annual rate of 4.97% during the ten years ended June 30, 2013¹, and by 3.72% from 2003 to 2013² in British Columbia. Comparable annual sales information is not available for either of Alaska or Kentucky.

9. COMPANY STRATEGY

The Company plans to strategically expand its business in existing markets and select new markets over the next several years. We believe growth opportunities exist through a number of avenues including: acquisition, greenfield development, organic growth and expansion to new markets.

Liquor Stores intends to grow in Canada and the U.S. by acquiring existing stores or chains of stores, by opening new stores and through organic growth via attracting more customers to existing locations and increasing the average ticket price per customer. In September 2012 Liquor Stores opened two large-format Wine and Beyond stores in Edmonton and Sherwood Park, Alberta. With store areas of approximately 22,000 and 17,000 square feet, respectively, these stores are western Canada’s largest liquor stores. The Corporation intends to strategically open additional large format stores within the next five years. Management believes these large-format “destination” stores will complement our existing convenience-focused locations and anticipates these stores will provide the Corporation with a competitive advantage and a means by which it may continue to maintain or enhance its market share.

Liquor Stores is continuously evaluating acquisition and new store opportunities and intends to proceed with measured growth in both its traditional convenience-focused smaller format stores and the larger format

¹ Source: Alberta Gaming and Liquor Commission.

² Source: British Columbia Liquor Distribution Branch

destination stores. Management believes that accretive acquisition opportunities exist in jurisdictions where Liquor Stores currently operates, and in other jurisdictions in Canada and the U.S.

In Alberta, our largest and oldest market, management will focus primarily on the development of greenfield locations and the acquisition of stores in markets it does not occupy or that benefit its existing store base. It also intends to continue to update certain aesthetic elements of its standard store design. In British Columbia, where regulators are currently not issuing new retail liquor licenses, we will focus primarily on growth by acquisition and, in limited instances, the relocation of existing stores to stronger locations. Liquor Stores is also actively pursuing opportunities to further expand its business into additional geographic regions of the United States where the private distribution of alcoholic beverages is permitted by regulation (both in jurisdictions where it currently has store operations and in new jurisdictions).

To execute on our business strategies, we are focused on the following Seven Point Plan to build on our competitive position, invest in opportunities to support long-term profitability and drive growth across our business:

- Enhance the Senior Leadership Team
- Invest in our People
- Implement an Industry Leading Information Technology Platform
- Invest in our Store Network
- Increase Brand Awareness and Loyalty
- Increase Operating Margins
- Pursue Expansion

The following is a summary of the goals we set out for the Corporation and the progress made in 2014.

Business Strategy	Goals for 2014	2014 Progress
<p>1. Enhance the Senior Leadership Team</p> <p>We have an opportunity to drive sales and further improve profitability of the current business, and further position the Company for growth in new markets by hiring certain key executives with deep retail experience in both Canada and the United States.</p>	<p>We targeted five new members of senior management to be hired in 2014 who come from leading Canadian or U.S. companies to complement our Merchandising, Human Resources, Information Technology, Store Operations, and Marketing teams.</p>	<p>Status: <u>Completed</u></p> <p>We have successfully recruited five individuals, each of whom brings highly specialized retail expertise to our business, to provide senior leadership for our Human Resources, Information Technology, Marketing, Merchandising, and Operations teams.</p> <p>Working out of our corporate headquarters in Edmonton, and from our new U.S. offices in Louisville, Kentucky, these individuals are now leading the implementation of refined business processes, systems and strategies to optimize and scale Liquor Stores' existing platform and support the future growth of our enterprise in our existing markets and new markets, primarily in the United States.</p> <p>We have also recently added 3 new Directors to the Company's Board, all of whom who have deep retail experience in both the United States and Canada.</p>
<p>2. Invest in our People</p> <p>We have an opportunity to attract more customers to existing locations and increase sales per customer by improving our customer service. Our investments will include enhancing our hiring and retention strategies, the introduction of industry leading training programs, implementing competitive store level compensation and benefit programs, and a focus on providing our employees with career and performance management.</p>	<p>Implement a formal training program called 'Liquor Stores University' for our store associates and use this as the mechanism to deliver training programs for sales, product knowledge and operations.</p> <p>Enhance the sales training program that was piloted in 2013 and deliver the program to 25% of our store managers in 2014.</p>	<p>Status: <u>Completed</u></p> <p>During 2014 we developed training materials, hired the appropriate complement of training staff, and formally launched Liquor Stores University in Q3 2014.</p> <p>The first phase of the sales training program pilot, launched in the latter half of 2013 and completed in 2014, was primarily focused on training associates in our large-format/destination stores. The second phase of our pilot for our sales training program, focused on our convenience-focused stores, was launched in 2014.</p> <p>We exceeded our goal as training was delivered to over 90% of our store managers by the end of 2014.</p>
<p>3. Implement an Industry Leading Information Technology Platform</p> <p>We have an opportunity to build on our competitive position by implementing a new enterprise resource planning ("ERP") system that will drive new efficiencies into our organization, provide enhanced visibility into business operations that will drive down costs, and provide a scalable growth platform that will allow us to grow organically and smoothly integrate newly acquired business.</p>	<p>Achieve significant milestones in the implementation of the Company's new ERP system with little or no impact on customers. Milestones include selecting a new ERP system through a competitive proposal process by early Q2 2014 and completing the planning phase of the implementation process by the end of 2014. We are targeting early to mid-2016 for the selected ERP system to be fully implemented.</p>	<p>Status: <u>In Progress</u></p> <p>In 2014 we selected a new ERP system and an implementation partner through a competitive proposal process. In February 2015 we initiated our design and planning phase, which we are aiming to complete by late-2015, with the core implementation of the selected ERP system by late 2016.</p>

Business Strategy	Goals for 2014	2014 Progress
<p>4. Invest in our Store Network</p> <p>We have an opportunity to attract more customers to existing locations and increase sales per customer through renovating and refreshing our existing stores, and by implementing a consistent store layout and design across our network to further enhance our brand with our customers.</p>	<p>Renovate/refresh 5% of our existing stores in 2014.</p>	<p>Status: <u>Completed</u></p> <p>The Company renovated 5% of our existing stores during 2014.</p>
<p>5. Increase Brand Awareness and Loyalty</p> <p>We will continue to increase our brand awareness and customer loyalty through investment in our store network, our marketing strategy, our digital marketing initiatives, and our brand advertising and public relations efforts.</p>	<p>Implement a customer relationship management strategy and start directly communicating through social media, direct email, etc. with our customers by mid-2014.</p> <p>Evaluate new marketing channels in addition to the current flyer circulation program.</p> <p>Increase selection and promotion of private label and control brands that customers enjoy and will only find in our stores.</p>	<p>Status: <u>Completed</u></p> <p>In the first half of 2014, we launched a digital marketing program called the “Celebration Club” across all regions.</p> <p>In 2014, we have decreased the number of weeks that we distributed flyers and redirected our marketing spend to other marketing avenues including: radio, social media, digital, and local newspapers that we believe better target our customer demographics. We launched our first television commercials in early 2015, which are airing during the Edmonton Oilers hockey games for the remainder of 2014-2015 season.</p> <p>Our merchants have been focused on sourcing exclusive and control brands from our suppliers. We have introduced a selection of new items in the fall of 2014 and provided all of our store managers with training on how to merchandise and sell these items.</p>
<p>6. Increase Operating Margins</p> <p>We have the opportunity to continue to improve our operating margins by leveraging our fixed occupancy costs and scalable infrastructure.</p>	<p>Complete the development and implementation of a comprehensive category review to improve the competitiveness, profitability and relevance of individual categories (i.e. beer, wine, spirits, specialty).</p> <p>Initiate a formalized program to evaluate product assortment by store and improve adherence to product assortment plans, with the objective of ensuring we have sufficient inventory quantities of products in high demand and to continue to improve our inventory turns.</p> <p>Continue to grow our control/exclusive brands across all regions as a percentage of their respective categories.</p>	<p>Status: <u>Completed</u></p> <p>We reviewed our categories in all regions to improve competitiveness, profitability and relevance of individual categories, and are assessing various options to formalize product assortment plans. We have also implemented new operational processes to decrease in-store out-of-stocks on high volume, promotional and exclusive brands.</p> <p>We are currently implementing product assortment plans into all new and renovated stores, and into a selection of our existing stores.</p> <p>Our merchants have been focused on sourcing exclusive and control brands from our suppliers. We have introduced a selection of new items in the fall of 2014 and have provided all of our store managers with training on how to merchandise and sell these items.</p>

Business Strategy	Goals for 2014	2014 Progress
<p>7. Pursue Expansion</p> <p>We plan to strategically expand our business in existing markets in Canada and the United States, and into select new markets in the United States over the next several years. We believe that brand positioning and emphasis on in-store experience for our customers will have a strong appeal.</p>	<p>Targeting a 2% to 3% organic store growth rate per year for the next two to three years.</p> <p>Strategically invest in new square footage in our existing regions as a result of population growth and, in the case of Kentucky, capitalize on opportunities resulting from certain counties going from 'dry' to 'wet'. The Company continually explores opportunities to develop and/or acquire stores in Alberta, British Columbia and the United States where regulatory regimes permit private liquor stores. Management will continue to evaluate and assess potential store development and store acquisition opportunities for their ability to add accretive cash flow and shareholder value.</p> <p>Developing new destination-focused/large-format stores in our current regions to complement our existing convenience-focused store network and expand market share.</p> <p>Sourcing opportunities to expand geographically through new store development and/or acquisitions to capitalize on opportunities in new regions and to reduce the concentration risk of any particular region. Based on a proven track record of success, the Company anticipates it will invest significantly in large-format expansion in both Canada and the United States.</p>	<p>Status: <u>Completed for 2014</u></p> <p>In 2014 we opened seven new stores or 2.9% of our store count as at the end of the prior year (Alberta: five stores; Alaska: one store; Kentucky: one store).</p>

Competition, Regulation, and Strategic Positioning

The supply and distribution of alcoholic beverages in Canada and the U.S. is regulated mainly by provincial or state legislation. Regulations generally require, among others, the licensing of distribution outlets, the separation of liquor from other types of products and a prohibition on sales to minors or intoxicated persons.

In Alberta, Alaska, and Kentucky, retail alcohol sales are conducted by private industry only. In British Columbia, retail alcohol sales are conducted both by private industry and provincial government-owned stores. In all four jurisdictions, the liquor retail market is competitive and ownership of private retail liquor stores is fragmented. Liquor Stores' strategy is to take advantage of consolidation opportunities as they become available.

The Alberta Competitive and Regulatory Environment

Alberta is the only Canadian province with a fully privatized retail liquor industry. Our Alberta stores are located primarily in shopping centers with grocery store or other anchor tenants. A number of liquor stores associated with grocery chains also compete in the Alberta market. Management believes that Liquor Stores is the largest liquor store chain in Alberta by number of stores and revenue.

The Alberta Gaming and Liquor Commission (“AGLC”) regulates the retail liquor business pursuant to the *Gaming and Liquor Act* (Alberta). Licenses to operate retail liquor stores must be renewed annually and are issued by the AGLC. The *Gaming and Liquor Act* (Alberta) does not restrict the total number of outlets or their location. Specific store locations, however, are subject to regulation through local and municipal bylaws and zoning requirements. AGLC inspectors regularly conduct inspections of liquor stores.

The table below shows, for each of the past three years, the total number of licensed Alberta liquor retail stores and the number of Liquor Stores outlets in the province.

AGLC Fiscal Year ending March 31	All Alberta liquor stores*	Outlets Operated by the Corporation in Alberta	Our Stores as a % of Alberta stores
2014	1,329 ^{*(1)}	174	13.1%
2013	1,312 ^{*(2)}	180	13.7%
2012	1,285 ^{*(3)}	180	14.0%

*Source: Alberta Gaming and Liquor Commission (excludes general merchandise liquor stores located in rural areas)

(1) Store count as at March 31, 2014 as stated in Alberta Gaming and Liquor Commission 2013-2014 Annual Report.

(2) Store count as at March 31, 2013 as stated in Alberta Gaming and Liquor Commission 2012-2013 Annual Report.

(3) Store count at March 31, 2012 as stated in Alberta Gaming and Liquor Commission 2011-2012 Annual Report.

Alberta Store Operations

Liquor store operators in Alberta are free to set their own retail prices, including selling at or below the wholesale cost, and may adjust prices based on the customer, the amount of the sale or any other factor determined relevant by the store operator.

Liquor stores in Alberta are permitted to be open from 10:00 a.m. to 2:00 a.m., seven days per week (except for Christmas Day). Our operating hours vary by location depending on specific markets; however we have numerous stores in Alberta open until 2:00 a.m.

In addition to selling alcoholic beverages, liquor stores may also sell certain related items, such as soft drinks and other drink mixes, ice, de-alcoholized beverages, glassware and other accessories, although sales of such items may not exceed 10% of total sales. Liquor stores may sell liquor to other liquor stores, other licensed premises (e.g., lounges, restaurants, pubs, taverns, etc.) and special event license holders. Liquor stores may also sell special event licenses for private functions and may provide delivery service. A liquor store in Alberta must either be a freestanding building or, if it is in a building in which there are other businesses, must be physically separated from the other businesses. If the liquor store is in a building with other businesses, it must have its own entrance and exit, its own receiving and storage area, and a wall between the liquor store and any

other business. A liquor store cannot be operated within the same commercial development as an existing non-liquor store business owned by the licensee if the existing business is larger than 929 square meters (10,000 square feet) unless certain requirements are met, including a separate building envelope. In that case, the premises for the liquor store must be physically separated and subject to approval by AGLC.

A person may own more than one liquor store and/or other licensed premises (other than a liquor manufacturing site), and operate them under the same or different names. While liquor stores must normally store their liquor products on site, the AGLC may approve a separate warehouse to enable a retail liquor store licensee to serve multiple liquor stores operated by the licensee. Liquor manufacturers or agents for manufacturers may not own or otherwise be financially involved in liquor stores or on premises operators.

Alberta Advertising and Promotion

Advertising is permitted in any medium, but is subject to restrictions imposed by advertising policy guidelines contained in the *Gaming and Liquor Act* (Alberta) as well as by the Canadian Radio-Television Telecommunications Commission (the "CRTC"). The common owner/operator of a liquor store and another non-liquor business may not conduct cross-market or co-operative advertising or promotions between the liquor store and the other business or company, nor can there be any co-operative advertising between a liquor store and an affiliated non-liquor business or a liquor store and a manufacturer.

Subject to restrictions in the advertising policy guidelines contained in the *Gaming and Liquor Act* (Alberta), liquor stores are permitted to promote specific brands of liquor within their stores by such means as in-store tastings, displaying brand posters or banners, giving away small value items with brand logos and holding contests. A liquor store may give away merchandise, other than liquor or food, to promote the store, provided the merchandise identifies the store and is not given to the store by suppliers. Suppliers' promotional activities must be directed to store customers and may not benefit a store owner directly.

Alberta Supply

The AGLC is the sole importer of liquor products into Alberta. Liquor stores must purchase liquor products at wholesale prices through the AGLC warehouse, from a manufacturer authorized by the AGLC to warehouse and distribute liquor products, or from other liquor stores. A number of domestic beers may be purchased from the AGLC by placing orders with the respective brewery. Breweries may set minimum order quantities for delivery service. Liquor stores are required to pay for products ordered before they are released from the warehouse.

We obtain wine, spirits and imported beer from Connect Logistics Services Inc. ("CLS"), which operates from its main warehouse in St. Albert and carries approximately 19,000 products. Liquor Stores obtains domestic beer from the three other licensed Alberta warehouse companies: Brewers Distributor Ltd., which warehouses and distributes beer products for Molson Canada and Labatt Brewing Company Limited in Edmonton and Calgary; Big Rock Brewery, which distributes its products from its brewery/warehouse in Calgary; and Sleeman Breweries Ltd., which warehouses and distributes its products from a warehouse in Calgary.

The AGLC operates a consignment system of inventory management, where the ordering, consolidation, shipment, and ownership of inventory are the responsibility of manufacturers and/or agents representing the manufacturers. In order to import liquor into Alberta, manufacturers must use a liquor agent registered with the AGLC. Manufacturers and/or their agents determine which products will be sold in Alberta and are responsible for promoting and marketing their products to retailers.

Alberta Wholesale and Delivery Pricing System

The AGLC requires that there be one wholesale price quoted for each product and individual retailers are not allowed to negotiate discounts with liquor suppliers. Supplier price changes are permitted on a biweekly basis. Approximately every two to four months, licensed manufacturers offer discounts through limited time offers ("LTO"), primarily on spirits and wine. We believe that we achieve savings and have a competitive advantage by appropriately using our cash flow and warehousing capabilities to purchase larger volumes at the discounted LTO prices and managing inventories to maintain stock until the next LTO, a practice known as "bridge buying".

The AGLC imposes a flat mark-up that is added to the supplier's price quotation and is levied in dollars per litre and varies by product class. The warehouse storage, handling, order processing and distribution charges are paid to the warehouse operator.

Wholesale prices for products shipped from CLS' warehouse are available when the order is a minimum of 25 cases. Customers must also pay order processing and distribution charges based on a delivery schedule (urgent or regular), pickup or delivery, and the number of cases ordered. Suppliers are charged for warehouse handling and storage. Wholesale prices are also available for beer purchased directly from a number of Alberta breweries that brew, warehouse, and distribute their own products to retailers. The individual breweries set minimum order quantities. The AGLC collects the wholesale price from the purchaser and, in turn, remits to the brewer its portion of the wholesale price.

A "postage stamp" delivery system applies for the delivery of liquor products from the warehouse, which means that the delivery charge per case shipped from CLS' warehouse is the same no matter where in Alberta the receiving store is located. A similar system exists for purchases of beer from certain beer manufacturers that are licensed to operate warehouses in Alberta.

Alberta Liquor Store Association

Liquor Stores is a member of the Alberta Liquor Store Association (ALSA), which has the objective of providing independent liquor store retailers with a strong collective voice when dealing with the provincial government and the AGLC. Members of the Alberta Liquor Store Association have historically owned approximately 50% of all liquor stores in the province. The association's principal function is to liaise with the AGLC on legislation, regulations, and operating guidelines as they affect the retail liquor store industry. Over the years, ALSA has played a significant role in promoting legislative and other regulatory initiatives in the interests of its members. As at March 4th, 2015, Liquor Stores' Chief Financial Officer is currently a member of the Board of Directors of ALSA.

The British Columbia Competitive and Regulatory Environment

The British Columbia government is the largest liquor retailer in the province, operating 195 stores as at December 31, 2014. Management believes that Liquor Stores, with 35 stores, is the largest private liquor store chain in British Columbia.

The British Columbia government regulates the importation, distribution and retailing of liquor through the *Liquor Control and Licensing Act* (British Columbia) and the *Liquor Distribution Act* (British Columbia). The British Columbia Liquor Control and Licensing Branch (the "BCLCLB") enforces the Liquor Control and Licensing Act and the British Columbia Liquor Distribution Branch (the "BCLDB") enforces the Liquor Distribution Act. Liquor store licenses may only be issued to residents of British Columbia who normally reside in the province, which

includes a corporation whose agent or manager is a resident of, and normally resides in, the province.

The table below shows, for the years 2012, 2013, and 2014 the total number of licensed retail liquor stores and the number of Liquor Stores outlets in B.C.

Gov't fiscal year ending March 31	All BC liquor stores ⁽¹⁾	Liquor Stores outlets in BC ⁽²⁾	Liquor Stores as % of BC stores	Private BC liquor & wine stores	Liquor Stores as % of private stores
2014	876 ^{*(3)}	35	4.0%	682*	5.1%
2013	877 ^{*(4)}	36	4.1%	682*	5.3%
2012	881 ^{*(5)}	36	4.1%	684*	5.4%

*Source: British Columbia Liquor Distribution Branch.

(1) Includes government and private liquor stores and wine stores, but excludes rural agency stores, manufacturer's stores and duty-free stores. There were 221 rural agency stores, 326 manufacturer's stores and 11 duty free stores in BC as at March 31, 2014.

(2) Includes liquor stores and wine stores.

(3) Store count at March 31, 2014 as stated in British Columbia Liquor Distribution Branch 2013-2014 Annual Report.

(4) Store count at March 31, 2013 as stated in British Columbia Liquor Distribution Branch 2012-2013 Annual Report.

(5) Store count at March 31, 2012 as stated in British Columbia Liquor Distribution Branch 2011-2012 Annual Report.

In November of 2007 British Columbia extended indefinitely a moratorium (initially imposed in 2002) on new retail liquor store licenses. Anyone wishing to enter the market must acquire a license from an existing private operator. As a result, the aggregate number of private industry stores, government-owned stores and independent wine stores has remained relatively stable at approximately 880 stores. Please see the section immediately below, British Columbia Store Operations for a further discussion of a new class of license the Government of British Columbia has advised will become available and further regulatory and policy changes.

British Columbia Store Operations

Subject to proposed regulatory and legal changes noted below:

- Privately-owned retail liquor stores may set their own prices for products, subject to the minimum price for each product established by the BCLDB. All government-owned liquor stores and rural agency stores charge an identical price for the same product throughout the province.
- Liquor stores in British Columbia are permitted to be open from 9:00 a.m. to 11:00 p.m. 365 days a year. Outside of increased hours as permitted during holiday periods, the Corporation's stores in British Columbia are open for the maximum number of daily hours, 365 days per year.
- In addition to beer, wine, cider, coolers, liqueurs, and spirits, a privately-owned retail liquor store may sell liquor-related items such as glasses, bottle openers and corkscrews and, in most cases, other goods such as soft drinks and other drink mixes, tobacco, confectionary goods and British Columbia lottery tickets.
- If a privately-owned retail liquor store is located on the same property as a primary liquor establishment, such as a bar, cabaret, pub or hotel, the two establishments may share a common lobby but must have

full-height walls between them and separate entrances. If a privately-owned retail liquor store is not located on the same property as the primary establishment, it may not appear to be part of any other business in close proximity to it. Customers must enter the store from a public thoroughfare such as a street or mall entrance and not through any other business.

- In 2010, the British Columbia government amended certain liquor control and licensing regulations which increased the relocation distance such that a private retail liquor store is not permitted to be relocated anywhere within 1.0 kilometer of an existing retail liquor store, or the site of an application to license a new private retail liquor store (subject to certain “grandfathering” exceptions). British Columbia Liquor Control and Licensing Branch inspectors regularly conduct inspections of private retail liquor stores. Such inspectors must be given full and unrestricted access to the licensed establishment, as well as to any documents and records associated with such establishment. Please see “Risk Factors – Government Regulation” for additional information on amendments and changes to British Columbia liquor control and licensing regulations.

In February 2014 the government of British Columbia completed a comprehensive review of provincial liquor policy and regulation, the results of which have the potential to materially alter the British Columbia marketplace. A considerable amount of information and resources regarding this policy review can be found through government resources. Further, please see “Risk Factors – Government Regulation” for additional information on potential liquor policy, regulatory and legislative changes.

On January 31, 2014, the British Columbia Ministry of Justice released its Liquor Policy Review Report (the “Report”). The government has announced that it will accept and implement all 73 recommendations contained in the Report and that the changes are to be effective April 1, 2015. Of the 73 recommendations, 29 require changes to the *Liquor Control and Licensing Act* of British Columbia. Bill 15 (given Royal Assent May 29, 2014) provided authority to implement 15 of the 29 recommendations. Additional Policy Directives have been announced by the BCLCLB. Recommendations that have the potential to positively and negatively impact the Corporation include, but are not limited to, the following areas of law and regulation:

1. An existing requirement that a Licensed Retail Stores (“LRS”) is limited to relocating within its current local jurisdiction or a 5 km radius of the originally licensed store if moving outside that jurisdiction should be removed.
 - *If this change is made, the Corporation may have the opportunity to relocate underperforming licenses to other regions in the province where we will have the potential to improve our profitability.*
2. The “1 km rule” that requires that no new store be located within 1 km of an existing store should remain in force. However, government stores (“LDB”) should be covered by this rule (subject to some grandfathering). Previously, government stores were exempted and could locate anywhere. This also means that LRS’s must be outside the 1 km radius of an existing LDB if they are relocating.
 - *Should the 1 km rule remain in place, the number of stores within 1 km of our existing locations will not increase.*
3. The LRS license moratorium should remain in effect.
 - *Should this moratorium remain in effect, the number of competitors in the province will not increase.*

4. Liquor sales should be permitted in grocery stores. Grocery stores should have the choice of a “store-within-a-store” model where all beer, wine and spirits can be sold, or they can opt to sell British Columbia Vintners Quality Alliance (“VQA”) wines within the existing store on the shelves. Further recommendations regarding grocery stores include:
 - a. Grocery stores are required to obtain a license for their stores. Store-within-store locations should be required to obtain a private (LRS) or government owned (LDB) liquor license and should be required to respect the 1 km rule.
 - b. Grocery stores opting to sell only VQA wines should be required to obtain one of the 21 existing VQA licenses, or obtain one of a limited number of new VQA licenses (number not specified). VQA only stores should not be required to adhere to the 1 km rule.
 - c. To qualify to sell alcohol, the grocery store should be at least 10,000 square feet, obtain approximately 75% or more of its revenues from food products, and may not be a “big box” or convenience store (this was subsequently clarified in a policy statement providing: (i) that the sales revenue for foods must total at least 70% to qualify for the “store-within-a-store” model and if liquor sales are added to the grocery stores; (ii) at least 50% of the combined sales revenue must continue to come from food; (iii) in addition, after liquor sales are approved for the store, the 70% food sales requirement continues in regard to the total sales revenue from non-liquor products; and (iv) convenience stores and multipurpose stores are not eligible for the “store-within-a-store” model).
 - d. Maximum hours of liquor sales for grocery stores should be the same as other liquor retailers, 9am to 11pm. All sales should be required to be made at registers staffed by employees who have “Serving It Right” certification and are at least 19 years old.
 - *If these changes are adopted, we do not anticipate competition in the near-term will increase significantly as grocery stores will be required to acquire an existing license should they want to sell a full offering of beer, wine and spirits, and they will need to adhere to the 1 km rule.*
5. Pricing for liquor products is should be changed from a “discount” model, whereby LRS’s purchase product on a price based on the retail price at the LDB, to a wholesale model whereby the LRS’s and LDB stores purchase product from the government wholesaler at the same price. LDB’s should price based on the new wholesale price.
 - a. The existing discount model applied differential discount rates on LRS’s (16%), as compared to independent wine stores (30%), and rural agency stores (12%). These differing prices should be abolished in favour of a single price.
 - *We believe that this change will be positive for the Corporation as we will be operating on a more level basis compared to the LDB.*
6. Government-owned BC Liquor stores, “LDB’s”, should be separated from the Liquor Distribution Branch’s wholesale operation (BCLDB).
 - *We believe that this change will be positive for the industry as there will be better visibility as to the profitability of the LDB and BCLDB.*

7. BC government owned Liquor Stores (what are currently known as LDB's) should operate on the same basis as private LRS stores. This means, they should receive the same wholesale prices through the British Columbia Liquor Distribution Branch, and be required to establish retail prices that support their businesses. They should be able to acquire and install refrigeration equipment in the same manner as LRS's. They should be permitted to maintain the same operating hours as LRS stores (9 am – 11 pm). And they should be required to adhere to and be protected by the 1 km rule for future locations.
 - *We believe that this change may result in increased competition as the LDB's may extend their operating hours and their offering to consumers (e.g. more LDB locations may offer cold beer).*
8. Licensees should be permitted to store liquor in secure, off-site locations, subject to notifying the regulator (this is currently not permitted).
 - *We believe that this change, if adopted, will be positive in the long-term for the Corporation as we may be permitted to have off-site storage, which would allow us the opportunity to better leverage our size in the province when buying inventory.*
9. Individual establishments that are part of a larger company should be able to transfer *small amounts* of liquor between locations.
 - *We believe that this change, if adopted, will be positive for the Corporation as we will be able to transfer inventory between our store locations.*

British Columbia Advertising and Promotion

Advertising is permitted subject to restrictions imposed by advertising policy guidelines under the *Liquor Control and Licensing Act* (British Columbia) and the CRTC. Liquor advertising may include the prices and brands of liquor available (including pricing specials) and licensees may enter into agreements with liquor manufacturers to promote and feature their products. Advertisements that encourage intoxication or target minors are prohibited, amongst other rules.

British Columbia Supply

Liquor Stores, like other retailers, purchases most of its products from the BCLDB, the sole importer of liquor products into British Columbia. BCLDB has distribution centers in Vancouver and Kamloops and purchases products from suppliers and manufacturers in British Columbia and in other provinces and countries. Licensed manufacturing sites in British Columbia include 270 wineries, 79 breweries and brew pubs, and 32 distilleries. Overall, the BCLDB buys product from more than 400 domestic and foreign manufacturers.

Liquor Stores, again like other retailers, purchases B.C. wine directly from the wineries and domestic beer from Brewers Distributor Ltd. ("BDL"), a private joint venture company owned by InBev (parent company of Labatt Breweries) and Molson-Coors (parent company of Molson Breweries). Privately-owned retail liquor stores must purchase all other liquor products directly from BCLDB.

British Columbia Wholesale and Delivery Pricing System

Unlike Alberta, there is no requirement that British Columbia wholesalers must sell product to all public and private retailers at the same price. The BCLDB currently sells to privately-owned retail liquor stores at a discount

of 16% from the listed BCLDB retail price; however, as described above, the Report suggested changes to this structure. In addition, suppliers, including the BCLDB, decrease the wholesale prices of certain products from time-to-time pursuant to limited time offers. The 16% discount has been in effect since January 2007.

The BCLDB has month-long LTOs and three-month long temporary price reductions (TPR's) with a limited time frame to purchase. As in Alberta, Liquor Stores strives to achieve savings by purchasing larger volumes at the discounted prices and managing inventories to maintain stock until the next discount, however, in British Columbia, storing inventory off-site and transfers amongst stores are not permitted.

Akin to the Alberta system of liquor distribution, a "postage stamp" rate (i.e. every retailer pays the same delivered price per case for delivery regardless of the location of the retailer) applies to all products distributed from BCLDB in British Columbia. Similarly, the beer manufacturers deliver with freight charges included in the price per unit so every retailer pays the same landed price for beer.

The Alaska Competitive and Regulatory Environment

The supply and distribution of alcoholic beverages in the United States is regulated through state and federal legislation. The 50 states are split into two categories: control states, and licensure states. There are 18 control states that directly regulate alcohol sales by controlling retail and/or wholesale distribution. Each control state is also a member of the National Alcoholic Beverages Control Association. The remaining 32 states are licensure states that issue licenses to private sellers. Certain licensure states delegate control to a more regional level (for example, counties). Each state/region has its own Alcoholic Beverage Control Board. These boards are regulatory and quasi-judicial agencies that control the manufacture, barter, possession and sale of alcoholic beverages in each state. Alaska is a licensure state and regulates alcohol sales through the Alaska Alcoholic Beverage Control Board (a division of the Alaska Department of Commerce, Community, and Economic Development) ("**ABCB**").

Operating pursuant to the authority of Chapter 6, Title 4 of the *State of Alaska Statutes*, the ABCB enforces the Alcoholic Beverage Statutes and Regulations contained in the Alaska Statutes and Administrative Code. The ABCB issues operating licenses to private business under Alaska law, which limits the number of retail liquor (package liquor) stores in urban areas to one license per 3,000 people. Licenses are transferable within each municipality but cannot be used outside of the municipality. Licenses may be obtained by application for a newly available license if the population has grown to warrant a new license or by purchasing a license from an existing licensee.

Alaska's cities, such as Anchorage, Fairbanks, and Juneau have a wet designation (no restriction on volume of sales within community) with liquor stores, restaurants and bars that serve alcohol. Some grocery retailers have liquor stores adjacent to their location however the alcohol and grocery premises are separate. Local communities have the right to elect a dry designation (prohibiting barter, possession or sale of alcohol) or a damp designation (prohibiting licensed premises but allowing and limiting the possession and import of alcohol). Urban retailers, when receiving orders involving the shipment of alcohol, are required to respect dry and damp community regulations. As at March 4, 2015, Liquor Stores owns and operates 23 stores in Alaska, representing approximately 6.3% of the 366 licensed liquor stores in the state. There are 367 package store licenses, 5 community owned package store licenses, and 25 seasonal package store licenses in the state. Of the approximately 114 stores in the Greater Anchorage area, (including Wasilla and Palmer) Liquor Stores operates approximately 17% of total stores.

The ABCB is submitting a comprehensive amendment (the "Alaska Amendment") of the alcohol statutes (Title 4 of the Alaska Statutes) to the Alaska legislature winter/spring 2015 after input from the ABCB, ABCB staff, public health sector, law enforcement personnel, and wholesaler, brewery and retailer representatives (including outside counsel for Liquor Stores) serving on various stakeholder committees. Proposed changes affecting package stores (which Liquor Stores though subsidiaries operates) include allowing limited in store sampling of small quantities of alcohol and changing the way package stores can hold larger tasting events.

The proposed amendments to Title 4 also include a section on industry trade practices that restrict the actions of manufacturers and wholesalers to exercise undue influence on retailers. This section is generally based on existing United States federal law, with changes to include beer (sometimes excluded under federal law) and to not require interstate commerce. The federal statutes allow some exceptions to prohibited behavior by regulation. Despite an attempt to write the exceptions under federal regulation into the Alaska statute, the ABCB opted instead to allow for exceptions by ABCB regulation but did state on the record it was ABCB intent to follow the federal regulations after changes made to include beer and drop the interstate commerce requirement. The proposed amendments also include a new mandatory \$250 fine for a licensee if one of its employees is convicted of a minor offense violation, including selling alcohol to a person under 21, while continuing the ability of the ABCB to suspend the license present under current law. Multiple minor offense violations at the same licensed premises within a 5 year period would increase the potential period for suspension or revocation of the license. The licensee would be able to argue mitigating circumstances for a second or third conviction involving a minor offense violation but not the first minor offense violation.

Alaska Store Operations

The minimum age to purchase alcohol in Alaska is 21 years, and persons under the age of 21 may not enter or remain in package store licensed premises unless accompanied by a parent, legal guardian or spouse over the age of 21 years. Liquor stores may exclude underage persons from licensed premises at any time.

In November of 2013, Liquor Stores opened, under the brand name Brown Jug, a flagship store in Fairbanks, which is its first venture outside the Greater-Anchorage region. There are 14 other package stores in Fairbanks, however the new Brown Jug is the largest, at 14,000 square feet, and Management believes it offers the best selection of wine, spirits, and beer in the Greater Fairbanks trade area.

Licensed businesses, including liquor stores, are permitted to remain open from 8 a.m. to 5 a.m. every day of the week (save for election days). Municipalities are permitted to limit hours of operation by ordinance. The municipality of Anchorage has elected to restrict liquor store operating hours, as a result of which Brown Jug stores open at 10 a. m. Monday through Saturday, and 12 p.m. on Sunday. The stores in Anchorage are required to be closed by 1 a.m. Sunday through Thursday nights, and 2 a.m. on Friday and Saturday nights. Brown Jug's operating hours vary by location depending on specific markets. The Fairbanks store is required to be closed at midnight.

Business premises occupied by a holder of a liquor license may not be connected to a door, opening, or other means of passage intended for access to the general public to an adjacent retail business, unless approved by the ABCB (grocery stores operate in this manner).

Each license must be issued to a specific individual, corporation, limited liability organization or partnership. If issued to a corporation or a limited liability organization, the registered agent must be a resident of Alaska.

A liquor license may not be issued if the licensed premises would be located in a building where the public entrance is within 200 feet of a school ground or church building.

In addition to a liquor license, in most cases the holder must have a Conditional Use Permit issued by the municipality, approving the placement and operation of the license.

Alaska Advertising and Promotion

Alaska has few state requirements or regulations relative to the advertising of alcoholic beverages for liquor stores (dealing only with false advertising or disclosure of mixed beverages being wine based, if applicable), however, except for certain limited exceptions, federal laws prohibit co-operative advertising between a liquor store and a manufacturer or wholesaler.

Alaska Supply

Alaska utilizes a three-tiered distribution system comprised of manufacturers, wholesalers, and retailers. Package Store retailers may only purchase product from Alaska licensed wholesalers or Alaska licensed breweries, wineries or distilleries or other Alaska licensed package stores who in turn purchased the product from Alaska licensed wholesalers.

Alaska Wholesale and Delivery

Unlike Alberta where there is a requirement that wholesalers must sell product to all public and private customer at the same price, in Alaska Liquor Stores is able to fully negotiate the wholesale cost of products directly from the distributors. Retailers are also offered retailer incentive programs (“RIPS”) for large volume discounts. Liquor Stores’ operations and ordering system is aligned to take full advantage of RIPS, and has leased a large warehouse in Anchorage to store significant volumes of discounted products. Further advantages flow to the larger retailers in Alaska (such as Liquor Stores) at fiscal quarter-ends and year-ends of distributors because distributors routinely offer clearance pricing on products. Liquor Stores’ ability to make larger volume purchases in Alaska can have significant impacts on our margins.

Alaska Industry and Lobbying Activities

Liquor Stores (through Brown Jug) is a member of the Alaska Cabaret, Hotel, Restaurant & Retailers Association (“CHARR”), a state-wide non-profit lobbying organization dedicated to serving the needs of the hospitality and retail liquor store industry in the State of Alaska. Lobbying activities at the local, state, and national levels assist CHARR in its top priorities of instituting legislative changes directed toward: reducing drunk driving, providing responsible service, and reducing the illegal consumption of alcohol by minors. Brown Jug is also a founding member of the Anchorage Responsible Retailers Association, ARBRA, which promotes responsible retailing, and works to alleviate problems associated with chronic inebriates.

The Kentucky Competitive and Regulatory Environment

Akin to Alaska, Kentucky is a licensure-type state and administers statutes and regulates traffic in alcohol beverages through the Office of Alcoholic Beverage Control (“KYABC”). Operating pursuant to the authority of the *Kentucky Revised Statutes Chapters 241-244*, the KYABC issues retail package liquor licenses to private business, with a restriction that the number of retail package liquor licenses in any county shall not exceed one for every 2,300 residents (however in Louisville, licenses are restricted to one license per 1,500 people).

As of January 30, 2014, the KYABC reports that of the 120 counties in Kentucky, 38 are completely dry, 50 are considered partially dry or “moist” and 32 are entirely wet. A dry county has no alcohol sales of any kind. The rest are either “moist” (allowing some form of alcohol sales in some part of the county) or “wet” (allowing full alcohol sales throughout the county). “Moist” can be as small as an historical site serving wine with lunch in an otherwise “dry” county, or as expansive full package and by-the-drink alcohol sales in cities within an otherwise “dry” county. “Moist” can involve golf courses, small farm wineries, restaurant sales only (50-seat limit or 100-seat limit), and package stores in a myriad of combinations. For example; Liquor Barn operates large, full-selection stores in Bowling Green and Danville. Both of those cities are located in counties (Boyle and Warren, respectively) that are otherwise “dry”. Thus, the KYABC in their “Kentucky Wet/Dry Status as of 01/30/2013” document, categorizes those counties as “moist”, though extensive package alcohol sales are legal and prevalent in their cities.

Although beer is sold in grocery stores and in gas stations in Kentucky, current liquor licensing legislation effectively prohibits the sale of wine and spirits in these businesses. Specifically, Kentucky statute *KRS*

243.230(5) expressly provides that “no retail package or drink license for the sale of distilled spirits or wine” shall be issued for any premises used as or in the connection with the operation of any business “in which a substantial part of the commercial transaction consists of selling at retail staple groceries or gasoline and lubricating oil.” Applicable regulations define “substantial part of the commercial transaction” to mean “10 percent or greater of the gross sales receipts as determined on a monthly basis” and staple groceries are defined as “any food or food related product intended for human consumption, except alcoholic beverages, tobacco, soft drinks, candy, hot foods, and food products prepared for immediate consumption.” Many drug stores in the state have obtained retail package liquor licenses and offer liquor, wine, and beer for sale because their staple grocery sales fall under the statutory threshold. On a similar note, certain Liquor Barn locations carry fine cheeses, deli items, and other non-alcoholic products for sale, with its sales of these limited items falling under the statutory threshold.

“Distance rules” are a consideration in the placement of liquor stores in Kentucky. Although prior state statutes and local ordinances regulating how close liquor stores could be from churches and schools have generally been repealed, current state statutes and local ordinances still limit how close a retail package store may be located to another retail package store in certain “combination business and residential areas” (700 feet in Louisville and Lexington), which generally are areas of the county outside of the downtown business district. In the metro Louisville area, the City of St Matthews also has a similar 700 foot limitation.

As of March 4, 2015, Liquor Stores owns and operates thirteen (13) stores in Kentucky. Management estimates that on a store count basis Liquor Stores’ stores represents about 2% of the approximately 600 licensed package liquor stores in Kentucky; however, Management also believes that these stores represent approximately 9-10% of overall state alcohol sales (excluding sales of alcohol in restaurants and bars).

Kentucky Store Operations

The minimum age to purchase alcohol in Kentucky is 21 years, and persons under the age of 21 may not enter or remain in premises licensed for package liquor sales unless accompanied by a parent or legal guardian over the age of 21 years. Liquor stores may exclude underage persons from licensed premises at any time.

Hours of operation for alcohol sellers vary widely by type of license and location. Municipalities are permitted to limit hours of operation by ordinance. The municipalities of Louisville, Danville, Bowling Green and Lexington have elected to restrict liquor store operating hours. Liquor Barn stores open at 9 a.m. Monday through Saturday, and 1 p.m. on Sunday. They close at 10 p.m. Monday through Thursday, 12 p.m. Friday and Saturday and 9 p.m. Sunday. Liquor Barn’s operating hours can vary occasionally by location depending on holiday considerations – especially Kentucky Derby week. Liquor Barn’s smaller-format Express stores are often open for extended hours (as compared to the larger-format Liquor Barn locations).

Kentucky Advertising and Promotion

Kentucky has a number of administrative regulations relative to the advertising of alcoholic beverages for liquor stores, including prohibitions on advertising which contains false, misleading or disparaging statements, and prohibitions on the usage of certain words (e.g. “bonded” or “pure”), statements of age, statements of curative or therapeutic effects, or pictorial representations of flags, seals, coats of arms, crests or other insignia. Except for certain limited exceptions, federal laws prohibit co-operative advertising between a liquor store and a manufacturer or wholesaler of liquor, wine, or beer.

Kentucky Supply

Kentucky utilizes a three-tiered distribution system comprised of manufacturers, distributors, and retailers. Retailers may only purchase alcohol products from distributors. Retailers are not allowed to purchase alcohol directly from manufacturers. This includes products from small Kentucky wineries – they must be purchased through a distributor.

Kentucky Wholesale and Delivery

Similar to Alaska, in Kentucky retailers are offered RIPS for large volume purchases. Liquor Barn's large-scale operations, ordering and warehousing system is designed to achieve full benefit of RIPS.

Kentucky Industry and Lobbying Activities

Liquor Stores participates in ongoing state-wide lobbying activities to advocate on behalf of retail package stores and the retail liquor industry in general. Kentucky Liquor Barn is one of the two primary members of the Kentucky Retailers' Coalition and is currently active in the reconstitution of the Kentucky Association of Beverage Retailers. This formerly was the state wide lobbying voice of the industry. A senior Liquor Barn employee is a governor-appointed member and the legislative committee chair of the Kentucky Grape and Wine Council (KGWC). The KGWC administers state funds to support the Kentucky wine industry. This individual is also an elected board member and the legislative committee chair of the Kentucky Vintners Society (the chief lobbying force for the Kentucky wine industry) and the Treasurer of the new Kentucky Association of Beverage Retailers. This individual also served as an appointed member of the Governor's Task Force on the Study of Kentucky's Alcohol Beverage Control Laws. This individual has just been appointed to the newly-formed Kentucky Tobacco Retailers Advisory Council ("KTRAC"). The KTRAC will work with the KYABC and public health officials to disseminate public policies and training for tobacco retailers.

Store Leases

In Canada and the United States Liquor Stores leases all but three of its store premises (and it also leases its head office and all warehouse premises). Liquor Stores' store leases typically have a 10 year initial term with numerous five (5) year options to renew, which may extend the lease a further 10 to 20 years. The average remaining term of our store leases is approximately 12 years (assuming the exercise by Liquor Stores of all renewal options). The leases are held by various landlords.

Maintenance and Capital Expenditures

Liquor Stores' expenditures on facilities and equipment fall into three categories: repairs and maintenance; renovations and replacements; and growth. Repairs and maintenance expenditures are budgeted in operations and expensed in the year incurred. Renovation and replacement expenditures are made to refurbish stores and replace equipment and are capitalized. Growth expenditures, which include the costs of building new stores, acquiring and renovating existing stores, and the purchase of new equipment, are also capitalized. Liquor Stores renovated approximately 5% of its existing stores in 2014 and plans on instituting a renovation plan with similar targets in subsequent years.

Management Information Systems

Liquor Stores presently utilizes a centralized point of sale system in all of its stores called Retail Management System (“RMS”). This Microsoft-designed system is specifically designed for multi-store retail businesses and it provides Liquor Stores with access to real-time and accurate inventory reporting and cash control. Following a recently-completed in-depth review of RMS, Management believes it has the ability to further build on its competitive position by replacing RMS with a new enterprise resource planning (“ERP”) information technology system that will drive new efficiencies into our organization, provide enhanced visibility into business operations that will drive down costs, and provide us with a scalable growth platform that will allow us to grow organically and smoothly integrate newly-acquired businesses. In 2014 we selected SAP to be our new ERP system and we expect to complete implementation of the core modules by the end of 2016.

Seasonality

The liquor retailing industry is subject to seasonal variations. Based on Liquor Stores’ same store sales for the year ended December 31, 2014, approximately 46% of Liquor Stores’ sales occurred in the first half of the year and 54% occurred in the second half of the year.

Employees

Liquor Stores had approximately 2,500 full and part time employees as of December 31, 2014, comprised of approximately 1,800 employees with respect to its Canadian operations and 700 employees with respect to its U.S. operations. Liquor Stores has no unionized employees. Liquor Stores’ Canadian and U.S. management teams, certain head-office employees, store managers and assistant managers are salaried.

Dependence on Foreign Operations

Approximately 26.0% of Liquor Stores’ annual sales for the year ended December 31, 2014 were attributable to Liquor Stores’ operations in the United States. Based upon Liquor Stores’ current store-numbers in the United States, Management anticipates that its U.S. operations will contribute a similar percentage of Liquor Stores’ annual sales for the year ended December 31, 2015. A significant U.S. acquisition or a material increase in Liquor Stores’ U.S. store-numbers in 2015 may result in Liquor Stores’ U.S. operations contributing a greater percentage of Liquor Stores’ annual sales.

10. DEVELOPMENT OF OUR BUSINESS

Corporate Conversion

On December 31, 2010, Liquor Stores completed a corporate conversion which resulted in the reorganization of Liquor Stores Fund (an income trust) into Liquor Stores (a corporation) and the unitholders of Liquor Stores Fund became the shareholders of Liquor Stores. Liquor Stores and its Subsidiaries now carry on the business formerly carried on by Liquor Stores Fund and its Subsidiaries. On January 7, 2011, our Common Shares commenced trading on the TSX.

The following is a description of the general development of our business over the last three completed financial years.

Business Growth

In the last three financial years Liquor Stores has grown through a combination of greenfield opportunities and acquisitions. 2012 was a year of increased growth that saw Liquor Stores open seven stores in Alberta, one store in British Columbia, and one store in Kentucky. In 2012 Liquor Stores also acquired two stores in Alberta and one store in Kentucky. In 2013 Liquor Stores opened two greenfield stores in Alaska. In 2014 we opened 5 new stores in Alberta and one in Alaska, and acquired one store in Kentucky.

Of the seven stores opened in Alberta in 2012, two of those stores were large-format Wine and Beyond stores (located in Edmonton and Sherwood Park, respectively). Management believes that in light of the increased competitive landscape in the Alberta retail liquor market, creating a successful large-format destination store (as opposed to a more convenience-focused store) is a true market differentiator. Management anticipates measured growth with these large-format stores. The expansion of this new concept store model is dependent, partially, on securing appropriate real estate opportunities for new locations.

Over the next twenty-four months, we anticipate opening three new stores in the United States and ten new stores in Canada.

Ongoing Acquisition and Financing Activities*Potential Acquisitions*

Liquor Stores is frequently engaged in the process of evaluating several potential liquor store acquisitions at any one time which individually or in the aggregate could be material. As of the date hereof, Liquor Stores has not reached agreement on the price or terms of any potential material acquisitions. Liquor Stores cannot predict whether any current or future opportunities will result in one or more acquisitions for Liquor Stores.

Completed Financings

The Company issued 3,927,250 common shares on December 19, 2014 (the "2014 Financing") for aggregate gross proceeds of \$57.5 million. Liquor Stores intends to use the net proceeds of the 2014 Financing for general corporate purposes, including to initially repay existing indebtedness under the Corporation's credit facilities, thereby freeing up borrowing capacity that may be redrawn and applied, as required, to fund, among other things, working capital, acquisitions, construction and/or renovations of new or existing stores and information system upgrades.

Potential Financings

Liquor Stores continuously evaluates its capital structure, liquidity and capital resources, and financing opportunities that arise from time to time. Liquor Stores may in the future complete financings of Common Shares or debt (which may be convertible into Common Shares) for purposes that may include the financing of acquisitions, the financing of Liquor Stores' operations and capital expenditures, and the repayment of indebtedness, including the repayment of the Liquor Stores Convertible Debentures. Liquor Stores cannot predict whether any current or future financing opportunity will result in one or more material financings being completed.

Significant Acquisitions

Liquor Stores did not complete an acquisition during its most recently completed financial year that constituted a significant acquisition for the purposes of Part 8 of National Instrument 51-102.

11. RISK FACTORS

The following is a summary of certain risk factors relating to the affairs and business of Liquor Stores. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Revised Annual Information Form. Shareholders and potential Shareholders (and other security holders) should consider carefully the information contained herein and, in particular, the following risk factors. These risks and uncertainties are not the only ones facing Liquor Stores. Additional risks and uncertainties not currently known to Liquor Stores, or that Liquor Stores currently considers immaterial, may also impair the operations of Liquor Stores. If any of these risks actually occur, the business, sales, financial condition, liquidity or results of operations of Liquor Stores could be materially adversely affected, with a resulting decrease in dividends paid on, and the market price of, the Common Shares.

Government Regulation

Liquor Stores operates in the highly regulated retail liquor industry in the Provinces of Alberta and British Columbia and the States of Alaska and Kentucky. Decisions by the Alberta Gaming and Liquor Commission (“AGLC”), British Columbia Liquor Control and Licensing Branch (“BCLCLB”), Alaska Alcoholic Beverage Control Board (“ABCB”), and Kentucky Department of Alcoholic Beverage Control (“KYABC”) and rules enacted by them or by other governmental authorities (including state, provincial, county, municipal or other local governments), new legislation, regulations, rules, or bylaws, or changes to existing legislation, regulations, rules, or bylaws, can materially impact the operations of Liquor Stores, both favourably and unfavourably. Changes in legislation, regulations, rules or bylaws may arise as a result of a multitude of factors, including but not limited to citizen referenda.

There is no assurance that the operations or licensing of Liquor Stores (or the amount of cash available to Liquor Stores for the payment of dividends) will not be adversely affected by: i) new legislation, regulations, rules, or bylaws; ii) changes and court challenges to existing legislation, regulations, rules, or bylaws; iii) new interpretations of existing legislation, regulations, rules or bylaws; or iv) decisions of the AGLC, the BCLCLB, the ABCB, the KYABC, or other governmental entities (including state, provincial, county, municipal, or other local governments) or applicable courts.

Of particular note:

- As noted above, on January 31, 2014, the British Columbia Ministry of Justice released its Liquor Policy Review Report (previously defined herein as the “Report”). Included within the Report, and in subsequent public statements by officials, are changes that, if implemented, Management believes will assist in creating greater business efficiencies including: new rules permitting the warehousing of inventory, the ability to transfer inventory between stores, the retention of the existing “1 km rule” that requires that no new liquor retailer be located within 1 km of an existing liquor retailer, and the elimination of the existing “5 km rule” that currently limits liquor retailers from relocating their license outside of a 5 km radius of their current location. The Report also includes recommendations that could lead to, over the long-term, increased competition for liquor retail sales in that province, including a

recommendation to introduce liquor sales into grocery stores. While this policy change will add to competition in the marketplace, Liquor Stores will also be in a position to participate in that limited expansion. In the near term, we do not anticipate competition increasing significantly as no new retail liquor licenses will be issued by the province and therefore should grocery stores want to sell beer, wine and spirits, they will need to acquire licenses from existing operators and comply with the 1 km rule.

The government has announced its intention to support all recommendations in the Report and we anticipate certain of the recommendations to come into effect on April 1, 2015. Given the uncertainties surrounding the actual timing of any provincial legislation and the details of the regulatory model that may eventually be used to phase-in liquor sales to B.C. grocery stores, it is difficult to quantify the potential positive and negative impacts that this may have on our B.C. stores at this time.

- Since 2011, a coalition of grocers in Kentucky had been challenging the state statute which prohibits the sale of wine and distilled spirits within grocery stores and gas stations (these retailers are presently only permitted to sell beer). However, on January 15, 2014, the United States Court of Appeals for the Sixth Circuit (“Appeals Court”) upheld the constitutionality of the Kentucky state statute which prohibits the sale of wine and distilled spirits within grocery stores and gas stations. In late January 2014, the grocer-plaintiffs sought a rehearing of the Appeals Court opinion; such request was rejected in April. Consequently, there will be no change to the original Appeals Court opinion that upheld the constitutionality of the Kentucky state statute prohibiting the sale of wine and distilled spirits within grocery stores and gas stations as a result of this case.

All of Liquor Stores’ Alberta stores are operated pursuant to licenses issued by the AGLC, which must be re-applied for annually. Similar to the process in Alberta, all B.C. stores are operated pursuant to licenses issued by the BCLCLB, which must be re-applied for annually.

All of Liquor Stores’ Alaska stores are operated pursuant to licenses issued by the ABCB, which must be renewed bi-annually, and its Kentucky stores are operated pursuant to licenses issued by the KYABC, which are due for renewal on an annual basis.

Since its inception in 2004, Liquor Stores has never had a store license revoked or not reissued. Management is not aware of any retail liquor store licensee having a license revoked. The AGLC, the BCLCLB, ABCB and KYABC have certain discretion in the granting or revocation of a license to operate a liquor store. See "Description of our Business".

Competition

The private retail distribution of alcoholic beverages in the Provinces of Alberta and British Columbia and the States of Alaska and Kentucky is both competitive and fragmented. Competition exists mainly on a local basis with the main competitive factors being location, convenience, price and service. Changes in the regulatory regime in a particular jurisdiction may increase competition which in turn could materially adversely affect Liquor Stores’ business and results of its operations.

In Alberta, Liquor Stores competes with other local single store operators, other local and regional chain operators, and liquor stores associated with national and regional grocery store chains. The current regulatory regime in Alberta limits certain of the potential competitive advantages of large scale retailers by, among other things, requiring liquor stores to be operated as a separate business and prohibiting the sale of

liquor in stores selling other goods and by requiring all retailers to pay the same wholesale price and a uniform "postage stamp" delivery charge.

In British Columbia, Liquor Stores competes with government owned and operated liquor stores, local independent stores, and wine stores. In February 2010, the British Columbia government amended certain liquor control and licensing regulations, including an amendment that increased the relocation distance such that a retail liquor store is not permitted to be relocated anywhere within 1.0 kilometre of an existing retail liquor store, or the site of an application to license a new retail liquor store (subject to certain "grandfathering" exceptions). This arrangement limits the number of entrants who are able to enter into the market. As noted above, forthcoming changes to the British Columbia regulatory regime may have significant changes on competition and value of licenses in that province.

In each of Alaska and Kentucky, Liquor Stores competes with local single store operators, other local and regional chain operators and liquor stores associated with U.S. national grocery store chains (and in some instances in Kentucky, with U.S. national drug store chains who also offer alcoholic products for sale). Under the Alaska and Kentucky regulatory environments, stores purchase product directly from distributors and are able to negotiate large volume discounts with suppliers; as such, competitors with greater financial resources are able to maintain a competitive advantage over smaller operators. State of Economy

Liquor Stores' success depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce sales and other operating results, which in turn could adversely affect the availability of cash for the payment of dividends.

Unpredictability and Volatility of Share Price

A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Share will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of Common Shares in the public trading markets. An increase in market interest rates will result in higher yield on other financial instruments, which could adversely affect the market price of the Common Shares.

In addition, the securities markets have experienced significant market wide and sector price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Such fluctuations may adversely affect the market price of the Common Shares.

Restrictions on Potential Growth

The payout by Liquor Stores of a substantial amount of its operating cash flow makes additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Liquor Stores and its cash flow.

Cash Dividends

The actual cash flow available for the payment of cash dividends to Shareholders can vary significantly from period to period for a number of reasons, including among other things: (i) our operational and financial performance; (ii) the amount of cash required or retained for debt service or repayment; (iii) amounts required to fund capital expenditures and working capital requirements. Certain of these amounts are, in part, subject to the discretion of the Board of Directors, which regularly evaluates Liquor Stores' dividend payout with respect to anticipated cash flows, debt levels, capital expenditures plans and amounts to be retained to fund acquisitions and expenditures. In addition, our level of dividend per Common Share will be affected by the number of outstanding Common Shares. Cash dividends may be increased, reduced or suspended entirely depending on our operations and financial performance. The market value of the Common Shares may deteriorate if we are unable to meet dividend expectations in the future, and that deterioration may be material

Commodity Taxes & Government Mark-Ups

Changes in tax rates or government mark-ups, and their corresponding effect on product pricing could affect sales and/or earnings. If taxes or government mark-ups increase and Liquor Stores increases prices by the full amount of the tax or the mark-up, as the case may be, sales volumes could be adversely impacted. If Liquor Stores is not able to pass the full amount of the tax or mark-up increase on to consumers, then margins and earnings could be adversely impacted. There can be no assurance that governments will not change tax or mark-up rates in the future.

Acquisition and Development Risks

Acquisitions have been a significant part of Liquor Stores' growth strategy. Liquor Stores expects to continue to selectively seek strategic acquisitions in both Canada and the U.S. Liquor Stores' ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on Liquor Stores' resources and, to the extent necessary, Liquor Stores' ability to obtain financing on satisfactory terms for larger acquisitions, if at all. Acquisitions may expose Liquor Stores to additional risks, including: difficulties in integrating administrative, financial reporting, operational and information systems and managing newly acquired operations and improving their operating efficiency; difficulties in negotiating lease renewal terms; difficulties in maintaining uniform standards, controls, procedures and policies through all of Liquor Stores' stores; entry into markets or development of new store formats in which Liquor Stores has little or no direct prior experience; difficulties in retaining key employees of the acquired operations; disruptions to Liquor Stores' ongoing business; and diversion of management time and resources.

Liquor Stores expects that new store development will also continue to be a significant part of Liquor Stores' growth strategy. The development of new stores is subject to many of the same risks as acquisitions including but not limited to limitations on the number of attractive development opportunities and competition for such opportunities and internal demands on Liquor Stores' resources. The rate of new store developments may be impacted by factors outside of Liquor Stores' control such as the availability of suitable site locations if real estate development declines and the availability of contractors to perform development work. In addition, the development of new stores requires an outlay of capital and profitability is based on management's projections of future store performance (which may prove to be incorrect).

Ability to Locate, Secure and Maintain Acceptable Store Sites and to Adapt to Changing Market Conditions

The success of Liquor Stores' retail stores is significantly influenced by location. There can be no assurance that current locations will continue to be attractive, or that additional locations can be located and secured, as demographic patterns change. It is possible that the current locations or economic conditions where Liquor Stores' retail stores are located could decline in the future including as a result of the opening of stores by competitors, resulting in potentially reduced sales in those locations. There is also no assurance that future store locations will produce the same results as existing locations. To the extent that Liquor Stores enters into long-term leases for its store locations, Liquor Stores' ability to respond in a timely manner to changes in the demographic or retail environment at any location may be limited.

Weather

Weather conditions in Canada and the United States play an important role in Liquor Stores' success. Prolonged poor weather conditions in both the summer and winter months reduce overall customer counts and consequently may have a material effect on Liquor Stores' operating results.

Key Personnel

Liquor Stores' success depends on the skills, experience and effort of its key employees. The loss of services of one or more members of Liquor Stores' key employees could significantly weaken Liquor Stores' management expertise and its ability to deliver its services efficiently and profitably.

Labour Costs and Shortages and Labour Relations

The success of Liquor Stores' business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of Liquor Stores to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on Liquor Stores' results of operations.

Liquor Stores does not currently have any unionized staff; however there is no assurance that some or all of the employees of Liquor Stores will not unionize in the future. Such an occurrence could increase labour costs and thereby have an adverse effect on Liquor Stores' results of operations.

Supply Interruption or Delay

Liquor Stores is dependent upon a limited number of distributors for a substantial majority of its products. Specifically, liquor store operators in Alberta are dependent on the Connect Logistics Service warehouse and Brewers Distributor Ltd. for the substantial majority of their products. In British Columbia, liquor store operators are dependent on the BCLDB and BDL for the majority of their products. With respect to Liquor Stores' U.S. operations, a limited number of private distributors serve the jurisdictions in which Liquor Stores operates. Any significant disruptions in the operations of these companies (for example, an organized work stoppage) and a resulting interruption in supply may have a material adverse effect on liquor stores operations, including the operations of Liquor Stores and its subsidiaries.

Importance of Information and Control Systems

Information and control systems play an important role in the support of Liquor Stores' core business processes, including store operations, finance, human resources, supply and inventory management and loss prevention. Liquor Stores' ability to maintain and regularly upgrade its information systems capabilities is important to its future performance. Please see "Management Information Systems" in this AIF for further information regarding Liquor Stores' upcoming information technology initiatives.

Changes in Income Tax Legislation and Other Laws

Income tax laws, such as the treatment of dividends, may in the future be changed or interpreted in a manner that adversely affects Liquor Stores and our Shareholders (both Canadian and U.S. Shareholders). Furthermore, tax authorities having appropriate jurisdiction over Liquor Stores or our Shareholders may disagree with how we calculate our income for tax purposes or could change administrative practises to our detriment or the detriment of our Shareholders (including, without limitation, the interpretation of certain cross-border tax rules).

Leverage and Restrictive Covenants

The Company has a credit facility with a syndicate of Canadian banks, which is effective until May 31, 2016 and consists of a \$175 million extendible revolving operating loan. At March 3, 2015 there was approximately \$51 million drawn on the credit facility. Pursuant to the terms of the credit facility, the Company has the ability to request an additional \$50 million (to be provided by the lenders on a best-effort basis).

The Company has \$67.5 million in aggregate principal amount of convertible unsecured subordinated debentures due April 30, 2018 (the "Debentures"). The Debentures bear interest at a rate of 5.85% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, which commenced on October 31, 2012. The Debentures are convertible at any time at the option of the holders into common shares of the Company at a conversion price of \$24.90 per share.

The Company's credit facility is subject to a number of financial covenants. Under the terms of the Company's credit facility, the following ratios are monitored: funded debt to EBITDA, adjusted debt to EBITDAR, and fixed coverage ratio. There are no financial covenants attributable to the Company's convertible unsecured subordinated debentures due April 30, 2018 or the U.S. credit facility.

In the event that our credit facility is not extended past its current maturity date (or in the event the credit is renewed on different terms) it could adversely affect the Company's ability to fund our ongoing operations and, as repayment of such indebtedness has priority over the payment of dividends to Shareholders, to pay cash dividends to Shareholders.

The degree to which Liquor Stores is leveraged could have important consequences to the holders of the Common Shares, including: (i) a portion of Liquor Stores' cash flow from operations is dedicated to the payment of interest on its indebtedness, thereby reducing funds available for the payment of dividends; and (ii) certain of Liquor Stores' borrowings are at variable rates of interest, which exposes Liquor Stores to the risk of increased interest rates. Liquor Stores' ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness depends on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Our credit facility contains certain customary operating covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Liquor Stores to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the agreements in respect of the credit facility could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness. If the indebtedness under this credit facility were to be accelerated, there can be no assurance that Liquor Stores' assets would be sufficient to repay in full that indebtedness.

Credit Risk

Liquor Stores' financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Corporation maintains its cash and cash equivalents with a major Canadian chartered bank. Liquor Stores, in its normal course of operations, is exposed to credit risk from its wholesale customers in Alberta whose purchases represent less than 5% of the Company's sales. Risk associated with accounts receivable is mitigated by credit management policies. Historically, bad debts from these accounts have been insignificant. Liquor Stores is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from businesses in the Alberta hospitality industry. Bad debts are insignificant in relation to total sales.

Dilution and Future Sales of Common Shares

Liquor Stores is authorized to issue an unlimited number of Common Shares for the consideration and on terms and conditions as are established by the Board of Directors without the approval of any Shareholders. In the normal course of making capital investments to maintain and expand our business operations, additional Common Shares may be issued. Additionally, from time to time, we may issue Common Shares from treasury in order to reduce debt and maintain a more optimal capital structure. As well, additional new common shares are issued on a monthly basis pursuant to the Company's dividend reinvestment plan. Conversely, to the extent that external sources of capital, including the issuance of additional Common Shares, becomes limited or unavailable, our ability to make the necessary capital investments to maintain or expand our business operations will be impaired. To the extent that we are required to use additional cash flow to finance capital expenditures or acquisitions, or to pay debt service charges or reduce debt, the amount of cash dividends paid to Shareholders could be reduced. Any further issuances of Common Shares will also dilute the interests of existing Shareholders. Shareholders have no pre-emptive rights in connection with such future issuances.

Active Trading Market for the Common Shares and/or the Convertible Debentures

While there is currently an active trading market for the Common Shares, we cannot guarantee that an active trading market will be sustained. If an active trading market in the Common Shares is not sustained, the trading liquidity of the Common Shares will be limited and the market value of the Common Shares may be reduced.

Although the Convertible Debentures trade on the Toronto Stock Exchange, there is not currently an active trading market for the Convertible Debentures, and we cannot guarantee that an active trading market will develop. If an active trading market in the Convertible Debentures does not develop, the trading liquidity of

the Convertible Debentures will remain limited and the market value of the Convertible Debentures may be adversely affected.

Conflicts of Interest

Certain directors of Liquor Stores are associated with other companies or entities, including entities engaged in the commercial real estate development, services and leasing businesses, which may give rise to conflicts of interest. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with Liquor Stores are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Liquor Stores. See "Conflicts of Interest".

12. Dividends and Dividend Policy

Dividend Policy

The Board of Directors has adopted a monthly dividend policy with a present dividend rate of \$0.09 per Common Share, which is paid on or about the 15th day of each month to Shareholders of record at the end of the previous month.

Notwithstanding the foregoing, the amount of future cash dividends, if any, will be subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including the prevailing economic and competitive environment, Liquor Stores' results of operations and earnings, financial requirements for Liquor Stores' operations and the execution of its growth strategy, fluctuations in working capital, capital expenditures and debt service requirements, contractual restrictions and financing agreement covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends, and other factors and conditions existing from time to time. Depending on these and various other factors, many of which are beyond the control of the Board and Liquor Stores' management team, the Board may change our dividend policy from time to time, and as a result, future cash dividends could be reduced or suspended entirely. The market value of the Common Shares may deteriorate if the Board reduces or suspends the amount of cash dividends that Liquor Stores pays in the future and such deterioration may be material. See "*Risk Factors*".

Although it is expected that dividends declared and paid by us will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of Common Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends".

The agreement governing Liquor Stores' Canada credit facility contains provisions which restrict its ability to pay dividends to Shareholders in the event of the occurrence of certain events of default. The full text of the agreement governing Liquor Stores' credit facility is available on SEDAR at www.sedar.com. For additional information regarding the credit facility, see Note 8 (the "Notes") to Liquor Stores' audited consolidated financial statements for the year ended December 31, 2014, and the "Liquidity and Capital Resources" notes in the related management's discussion and analysis (collectively, the "MD&A Disclosure"), both of which are available on SEDAR at www.sedar.com. The Notes and the MD&A Disclosure are both incorporated by reference into this Revised Annual Information Form.

Dividends Paid to Shareholders of the Company

Since its initial inception as an income trust in 2004 through to its current corporate form, Liquor Stores has paid a monthly distribution or dividend, as the case may be, each and every month. The table below describes the dividends paid to shareholders of Liquor Stores for the past three (3) years. Liquor Stores practice is to pay the cash dividend during the month following the declaration of the dividend.

<u>Month</u>	<u>2014</u> <u>(\$)</u>	<u>2013</u> <u>(\$)</u>	<u>2012</u> <u>(\$)</u>
January	0.09	0.09	0.09
February	0.09	0.09	0.09
March	0.09	0.09	0.09
April	0.09	0.09	0.09
May	0.09	0.09	0.09
June	0.09	0.09	0.09
July	0.09	0.09	0.09
August	0.09	0.09	0.09
September	0.09	0.09	0.09
October	0.09	0.09	0.09
November	0.09	0.09	0.09
December	0.09	0.09	0.09
Total	1.08	1.08	1.08

13. DESCRIPTION OF CAPITAL STRUCTURE

Description of Capital Structure

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 share capital of Liquor Stores.

i. 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.

ii. Preferred Shares of Liquor Stores

Each series of preferred shares of Liquor Stores shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of holders of Common Shares. With respect to the payment of dividends and distribution of assets in the event of

liquidation, dissolution or winding-up of Liquor Stores, whether voluntary or involuntary, each series of preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over Common Shares and any other shares ranking junior to the preferred shares as may be determined by the Board at the time of creation of such series.

The preferred shares of Liquor Stores are intended to provide future financing flexibility. There are currently no preferred shares issued and outstanding.

iii. Other Provisions Affecting the Rights of Shareholders

Pursuant to the articles of incorporation of Liquor Stores but subject to applicable laws, Liquor Stores may take such actions as it, in its sole discretion, determines necessary or advisable if, in the opinion of the Board, a person (including a Shareholder), or group of persons acting in concert, fails to comply with any requirement of any regulatory authority having jurisdiction over the liquor store licenses of Liquor Stores and its Subsidiaries, including failing to provide the information required in connection with the conduct of background checks, or if the holding of Common Shares by a person, or group of persons acting in concert could result in the revocation or non-renewal of any of the aforementioned liquor store licenses. In such circumstances, and without limitation of any other power or authority of Liquor Stores, it shall be entitled to take any of the following actions (i) place a stop transfer on all or any of the Common Shares of the person, or group of persons, (ii) suspend or terminate all voting and dividend rights on all or any of the Common Shares of the person, or group of persons, (iii) apply to a court of competent jurisdiction seeking an injunction to prevent a breach or continuing breach, or (iv) make application to the relevant securities commission, its successors, assigns or such other governmental regulatory agency having jurisdiction over the affairs of Liquor Stores, to effect a cease trading order or such similar restriction against such person, or group of persons, until such time as such person or group of persons complies with such constraints.

Debt Capital

Liquor Stores has issued the Convertible Debentures. In addition, Liquor Stores has a \$175 million credit facility in Canada. A description of the debt capital of Liquor Stores is set forth below. This description is a summary only. Shareholders are encouraged to read the full text of the agreements governing Liquor Stores' Convertible Debentures and credit facility, which are available on SEDAR at www.sedar.com

Convertible Debentures

Liquor Stores completed the Convertible Debenture offering in April 2012. There is \$67.5 million aggregate principal amount of Convertible Debentures outstanding. The Convertible Debentures bear interest at a rate of 5.85% per annum payable semi-annually in arrears on April 30 and October 31 in each year. The Convertible Debentures mature on April 30, 2018 and are convertible at the holder's option into fully paid and non-assessable Common Shares at any time prior to the close of business on April 30, 2017 and the business day immediately prior to a date specified by Liquor Stores for redemption of the Convertible Debentures at a conversion price of \$24.90.

The Convertible Debentures are not redeemable prior to April 30, 2015, except upon the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On or after April 30, 2015 and prior to April 30, 2017, the Convertible Debentures are redeemable in whole or part from time to time at the option of Liquor Stores on not more than 60 days and less than 30 days notice at the principal amount thereof plus accrued and unpaid interest provided the current market price, as defined in the Debenture Indenture, of

the Common Shares on the date of the notice of redemption is not less than 125% of the conversion price. On or after April, 30, 2017 and prior to maturity, the Convertible Debentures are redeemable in whole or part from time to time at the option of Liquor Stores on not more than 60 days and less than 30 days notice at the principal amount thereof and plus accrued and unpaid interest. The Convertible Debentures are also redeemable upon satisfaction of certain conditions after a Change of Control on or after April 30, 2015 and prior to April 30, 2017.

Liquor Stores has the option, subject to regulatory approval, to satisfy all or part of its obligation to repay the principal amount of the Convertible Debentures which are to be redeemed or have matured by issuing and delivering that number of Common Shares obtained by dividing the aggregate principal amount to be redeemed or which have matured by 95% of the current market price of the Convertible Debentures on the date fixed for redemption or maturity, as the case may be.

Liquor Stores may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay interest on the Convertible Debentures by delivering Common Shares to the Debenture Trustee for sale with the proceeds of such sales being delivered to holders of Convertible Debentures.

The payment of the principal of, and interest on, the Convertible Debentures is subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the prior payment in full of all Senior Indebtedness of Liquor Stores including indebtedness to trade and other creditors of Liquor Stores. "Senior Indebtedness" of Liquor Stores is defined in the Debenture Indenture to mean, in effect, the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of Liquor Stores (whether outstanding as at the date of the Debenture Indenture or thereafter created, incurred, assumed or guaranteed), other than indebtedness evidenced by the Convertible Debentures and all other existing and future debentures or other instruments of Liquor Stores 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 Convertible Debentures.

The Debenture Indenture provides that an event of default ("**Event of Default**") in respect of the Convertible Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Convertible Debentures: (i) failure for 30 days to pay interest on such Debentures when due; (ii) failure to pay principal or premium, if any, on such Debentures, whether at maturity, upon redemption, by declaration or otherwise, (iii) default in the observance or performance of any material covenant or condition of the Debenture Indenture by Liquor Stores which remains unremedied for a period of 30 days after notice in writing has been given by the Debenture Trustee to Liquor Stores specifying such default and requiring Liquor Stores to remedy such default; or (iv) certain events of bankruptcy, insolvency or reorganization of Liquor Stores under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of the Convertible Debentures then outstanding, declare the principal of and interest on all outstanding Convertible Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Convertible Debentures then outstanding may, on behalf of the holders of all such Convertible Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Within 30 days following the occurrence of a change of control of Liquor Stores involving the acquisition of voting control or direction over 66 $\frac{2}{3}$ % or more of the outstanding voting shares by any person or group of persons acting jointly or in concert, other than pursuant to any transaction undertaken to effect a conversion of Liquor Stores to a corporation in which a new parent entity is established, created, or adopted for, or in

replacement of, Liquor Stores (a "**Change of Control**"), Liquor Stores will be required to make an offer in writing to purchase, in whole or in part, the Convertible Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest (the "**Debenture Offer Price**").

If 90% or more of the aggregate principal amount of the Convertible Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to Liquor Stores pursuant to the Debenture Offer, Liquor Stores will have the right to redeem all the remaining Convertible Debentures at the Debenture Offer Price. Notice of such redemption must be given by Liquor Stores 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 Convertible Debentures not tendered pursuant to the Debenture Offer.

Credit Facility

In Canada, Liquor Stores has a secured revolving credit facility with a three (2) year term ending on May 31, 2016. The credit facility has a committed aggregate borrowing limit of \$175 million with the potential for an additional \$50 million (the latter provided on request and on a "best efforts" basis by the lenders). As at March 3, 2015, approximately \$51 million is outstanding under this credit facility.

For additional information regarding the credit facilities, see Note 8 (the "**Notes**") to Liquor Stores' audited consolidated financial statements for the year ended December 31, 2014, and Liquidity and Capital Resources notes in the related management's discussion and analysis (collectively, the "**MD&A Disclosure**"), both of which are available on SEDAR at www.sedar.com. The Notes and the MD&A Disclosure are both incorporated by reference into this Revised Annual Information Form.

Ratings

Liquor Stores has neither asked for nor received a stability rating, and it is not aware of having received any other kind of rating, including a provisional rating, from one or more approved rating organizations for outstanding securities of Liquor Stores, which rating or ratings continue in effect.

Securities Held in Escrow

To Liquor Stores' knowledge, no securities of Liquor Stores are held in escrow or are subject to a contractual restriction on transfer (except in respect of pledges made to lenders and except in respect of incentive securities issued pursuant to Liquor Stores' equity compensation plans).

14. MARKET FOR SECURITIES

Common Shares

Following the completion of the Corporate Conversion, the Common Shares were listed on the TSX under the symbol LIQ on January 7, 2011. The following tables set forth certain trading information for the Common Shares in 2014 as reported by the TSX.

Period	High (\$)	Low (\$)	Volume
2014			
January.....	14.85	14.03	1,392,019
February.....	14.29	11.65	2,871,547
March.....	12.44	11.04	2,413,367
April.....	12.31	11.69	1,542,691
May.....	11.97	9.86	2,610,133
June.....	11.48	10.42	1,262,284
July.....	11.51	10.66	1,037,521
August.....	13.48	11.08	1,847,483
September.....	14.50	12.97	1,836,594
October.....	13.61	12.10	1,231,871
November.....	15.08	13.04	1,378,534
December.....	15.64	14.12	3,622,039

5.85% Convertible Debentures

The Convertible Debentures are listed and posted for trading on the TSX under the trading symbol "LIQ.DB.A". They commenced trading on April 23, 2012. The following table sets forth certain trading information for the Convertible Debentures in 2014 as reported by the TSX.

Month	High (\$)	Low (\$)	Volume
2014			
January.....	104.50	103.00	3,560
February.....	102.50	96.00	27,710
March.....	103.00	99.80	9,160
April.....	103.50	101.50	5,140
May.....	103.50	100.00	14,110
June.....	103.00	101.50	5,020
July.....	103.75	102.50	5,830
August.....	103.50	102.65	2,490
September.....	105.00	103.08	2,940
October.....	104.41	102.00	4,650
November.....	105.00	103.50	2,140
December.....	105.00	101.50	2,530

Other than incentive securities issued pursuant to Liquor Stores' equity compensation plans, Liquor Stores does not have any classes of securities that are outstanding but that are not listed or quoted on a market place.

15. DIRECTORS AND EXECUTIVE OFFICERS OF LIQUOR STORES

Directors of Liquor Stores

The following table sets forth the name, province/state and country of residence and positions and offices held for each of the directors of Liquor Stores as at March 4th, 2015, together with their principal occupations. Principal occupations of directors during the last five years are included in their biographies below the following chart. The directors of Liquor Stores will hold office until the next annual meeting of Shareholders or until their respective successors have been duly elected or appointed.

<u>Name and Jurisdiction of Residence</u>	<u>Position with Liquor Stores</u>	<u>Date Appointed as a Director⁽¹⁾</u>	<u>Principal Occupation</u>
Henry Bereznicki ⁽²⁾⁽⁴⁾ Alberta, Canada	Director	August 10, 2004	Managing Partner, North American Development Group (a private real estate developer)
Gary Collins ⁽²⁾⁽⁴⁾ British Columbia, Canada	Director	September 5, 2006	Corporate Director
Jim Dinning ⁽⁵⁾ Alberta, Canada	Chairman & Director	August 10, 2004	Corporate Director
Susan Doniz ⁽³⁾⁽⁴⁾ Ontario, Canada	Director	January 1, 2015	Corporate Director
Robert S. Green ⁽²⁾⁽³⁾ Ontario, Canada	Director	August 10, 2004	President of North American Development Group
Peter Lynch ⁽²⁾⁽⁴⁾ Florida, USA	Director	May 13, 2014	Corporate Director
David B. Margolus, Q.C. ⁽³⁾⁽⁴⁾ Alberta, Canada	Director	August 10, 2004	Counsel and Partner, Witten LLP (law firm)
Harry Taylor ⁽²⁾⁽⁴⁾ Ontario, Canada	Director	January 1, 2015	Senior Vice President, Finance, Canadian Tire Corporation, Limited (a group of retailers)
Stephen Bebis Massachusetts, USA	President and Chief Executive Officer & Director	May 8, 2013	President and Chief Executive Officer of Liquor Stores

Notes (as at March 4, 2015):

(1) With the exception of Mr. Bebis, Ms. Doniz, Mr. Lynch and Mr. Taylor, date provided represents the date the respective directors were appointed as directors of Liquor Stores GP Inc., administrator of Liquor Stores Income Fund

(predecessor of Liquor Stores N. A. Ltd.). All directors, except for Mr. Bebis, Ms. Doniz, Mr. Lynch and Mr. Taylor, were appointed as directors of Liquor Stores N.A. Ltd. on December 14, 2010 in connection with the Corporate Conversion.

- (2) Audit Committee member (Robert Green, Chair)
- (3) Governance Committee member (David Margolus, Chair)
- (4) Compensation Committee member (Gary Collins, Chair)
- (5) Mr. Dinning in his capacity as Chairman, serves as an ex officio member of all Committees of the Board of Directors.

The following are brief profiles of the directors and executive officers of Liquor Stores.

Henry Bereznicki, Director. Mr. Bereznicki was a co-founder of one of the predecessor companies of Liquor Stores N.A. Ltd., and he initiated and completed the merger with Liquor Depot eight months before he took the company public in 2004. He has also previously served as Board Chairman of one of the predecessor companies of Liquor Stores for a period of seven years. Mr. Bereznicki founded Liquor World (one of the original companies involved in the formation of Liquor Stores Income Fund) in 1993, and served as its President and Chief Executive Officer throughout its eleven year history. Mr. Bereznicki was a co-founder of the Alberta Liquor Store Association, and served as first Vice President of the organization for a period of five years from inception. Mr. Bereznicki is involved as a member and former executive in the Alberta Chapter of the Young Presidents Organization (YPO and WPO). Mr. Bereznicki has been a partner in North American Development Group (a private real estate developer) ("NADG") and its predecessors since 1987 and, as his principal occupation, has held the position of Managing Partner, Western Region for the past fifteen years. He is responsible for NADG's activities across the four western Canadian provinces as well as Arizona and Colorado. Mr. Bereznicki holds a Bachelor of Science Degree in Civil Engineering from the University of Alberta, as well as a Master's Degree in Business Administration (MBA) from Harvard University.

Gary Collins, Director. Mr. Collins was most recently the President of Coastal Contacts Inc. (an on-line optical retailer) from August 2012 until it was sold in February 2014 to Paris-based Essilor. He currently serves as a member of the Board of Chorus Aviation Inc. (formerly Jazz Air Income Corporation). Mr. Collins was President and CEO of Harmony Airways from December 2004 to December 2006, and from April 2007 until May 2012 he was the Senior Vice President of Belcorp Industries Inc. (a private investment management company). Previously Mr. Collins spent 13 years as a Member of the British Columbia Legislative Assembly, including serving as British Columbia's Minister of Finance from 2001 to 2005.

Jim Dinning, Chairman, Director. Mr. Dinning is Chair of Western Financial Group, a leading western Canadian financial services company, Chairman of the Board of Directors for Russel Metals Inc., and director of Oncolytics Biotech Inc. He is a past director of Parkland Fuel Corporation, Finning International Inc. and Shaw Communications Inc. Previously, Mr. Dinning was Executive Vice President of TransAlta Corporation (power generation and wholesale marketing company) from 1997 to 2004. Mr. Dinning served as Member of the Alberta Legislative Assembly from 1986 to 1997 and held several key positions including Provincial Treasurer. In 2007, Mr. Dinning completed the Directors Education Program of the Institute of Corporate Directors. He is the recipient of the Distinguished Service Award from the Institute of Chartered Accountants of Alberta (1997) and was awarded an Honorary LLD from the University of Calgary in 2002. Mr. Dinning completed his four year term as Chancellor of the University of Calgary in June of 2014. He was recently named a Fellow of the Institute of Corporate Directors.

Susan Doniz, Director. Ms. Doniz was most recently the Global Chief Information Officer for Aimia Inc., a world leader in loyalty rewards management (and the owner/operator of Aeroplan) from 2011 to 2014. Previously, Ms. Doniz held a variety of senior leadership roles with Proctor & Gamble Canada including Director, Chief Information Officer and Global Business Services Officer (2000 to 2011), and prior to that

spent time with Proctor & Gamble in Latin America and Europe. Ms. Doniz currently serves on several non profit boards, including the Women's College Hospital Foundation and a Trustee of the Ontario Science Centre. Ms. Doniz holds a Bachelor of Applied Science & Engineering from the University of Toronto, executive learning at Harvard Business School and her ICD.D designation.

Robert S. Green, Director. Mr. Green is the President of North American Development Group, a company which he joined in 1985, after specializing in the practice of commercial real estate law with a major Canadian law firm. Mr. Green has over 30 years of experience in managing, leasing, developing and acquiring retail properties throughout North America. Mr. Green was formerly a member of the board of directors and investment committee of Centrefund Realty Corporation and Sterling Centrecorp Inc., both public real estate companies listed on the Toronto Stock Exchange. Mr. Green is also a founding partner and President of Centrecorp Management Services Limited, a retail/commercial real estate service provider with operations in both Canada and the United States. Mr. Green is a graduate of, and obtained an LLB from, the University of Toronto Law School.

Peter Lynch, Director. Mr. Lynch is the former President and Chief Executive Officer of Winn-Dixie Stores Inc., a Florida-based national grocery retailer. He was appointed to this position in 2004 and held it until 2012. He also served as Chair of the Board. From 1999 to 2003, Mr. Lynch held various positions of increasing responsibility, including President and Chief Operating Officer and Executive Vice President-Operations, with Albertson's, Inc., a national U.S. retail food and drug chain comprised of 2,500 stores operating under the Albertson's, Jewel/Osco, ACME, Sav-on and Osco names. Mr. Lynch holds a Bachelor's of Science degree in Finance from Nichols College in Dudley Mass. Mr. Lynch currently serves on the Board of Directors of Real Estate Properties of America, where he is a member of the Compensation, Nominating and Governance committees. Mr. Lynch is also currently on the Board of Advisors of Sid Wainer & Son, a produce and specialty foods company based out of New Bedford, Mass. and is a Trustee for Nichols College in Dudley Mass.

David B. Margolus, Q.C., Director. Mr. Margolus was one of the founding shareholders of The Liquor Depot Corporation (a predecessor to the Company). He is Counsel to, a partner of, and former Managing Partner (for 13 years) of Witten LLP, with a legal practice focused primarily in the areas of corporate, commercial and real estate. In addition to serving on the boards of various public and private companies, Mr. Margolus acted as legal counsel to Alberta Liquor Store Association from its inception and for many years thereafter. In 2009, he completed the Directors Education Program of the Institute of Corporate Directors.

Harry Taylor, Director. Mr. Taylor has served in the United States and Canada in executive level positions with three of North America's pre-eminent retailers, including Canadian Tire (2010 to present), Holt Renfrew (Chief Financial Officer, 2008 – 2010), and The Home Depot (2002 to 2007 in various positions including Senior Vice President, Operations and Senior Vice President, Finance). In addition to his current role as Senior Vice President, Finance at Canadian Tire, Mr. Taylor has also served as Chief Operating Officer with Mark's (formerly Mark's Work Warehouse, a subsidiary of Canadian Tire).

Stephen Bebis, President and Chief Executive Officer & Director. Mr. Bebis has numerous years of experience in the retail sector, and most recently was the President and Chief Executive Officer of U.S.-based Brookstone Inc., a specialty lifestyle retail company (2012-2013). From 1998 to 2011, Mr. Bebis served as the founder, President and CEO of Golf Town, the largest specialty golf retailer in Canada and one of the largest in the world. From 1996 to 1998, Mr. Bebis was Chairman, President, and CEO of Sports and Recreation Stores, Tampa, Florida. Prior thereto, Mr. Bebis held various executive-level positions, including (among others) President of Home Depot Canada, and founder and CEO of Aikenhead's Home Improvement Warehouse.

Officers of Liquor Stores

The following table sets forth, for each of the executive officers of Liquor Stores, the person's name, province/state and country of residence, principal occupation as at March 4, 2015, and date of first appointment as an executive officer, together with their principal occupations during the last five years. Biographies for each of the executive officers are available on Liquor Stores' website at www.liquorstoresna.ca.

Name and Jurisdiction of Residence	Position with Liquor Stores and Principal Occupation	Executive Since	Principal Occupations in the Last 5 Years
Stephen Bebis Massachusetts, USA	President and Chief Executive Officer & Director	May 8, 2013	President and CEO of Brookstone Inc. (2012 to 2013); Founder, President and CEO of Golf Town (1998 to 2011)
David Gordey Alberta, Canada	Senior Vice President and Chief Financial Officer	April 8, 2014	Vice President, Finance of Liquor Stores (March 2012 to April 2014); Senior Manager at KPMG LLP (January 2001 to March 2012)
Erika Cobb Idaho, USA	Senior Vice President, Information Technology	March 3, 2014	Vice President, Information Technology at Save-A-Lot Foods, a subsidiary of SuperValu Inc. (November 2011 to October 2013); Senior Director Merchandising Applications/Business Transformation at SuperValu Inc. (June 2009 - to November 2011)
Jason Fremstad Kentucky, USA	Senior Vice President, General Merchandise Management	March 31, 2014	Director, Wine and Spirits at Wal-Mart (September 2012 to March 2014); Senior Wine Buyer at Sam's Club (September 2009 to September 2012)
Lieske Renz Kentucky, USA	Senior Vice President, Human Resources	March 3, 2014	Senior Director, Human Resources at YUM Restaurants International (January 2012 - February 2014); Director, Human Resources Strategy & Training Design - KFC US (November 2009 - December 2011); Director, Human Resources Great Lakes Territory (January 2009 - November 2009)
Steve Rop Virginia, USA	Senior Vice President, Operations and Logistics	March 31, 2014	Vice President, Client Services and Business Development at Liquidity Services Inc. (November 2007 to March 2014)
Jim Yaworski Alberta, Canada	Senior Vice President, Construction and Design	July 14, 2014	Director of Construction, Liquor Stores (2008 to July 2014)

Common Share Ownership As at the date hereof, the directors and executive officers of Liquor Stores, as a group, own beneficially, or control or direct, directly or indirectly, an aggregate of 710,442 Common Shares, representing approximately 2.6% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Liquor Stores, except as otherwise disclosed herein, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons) is, as of the date of this Revised Annual Information Form, or was within ten years before the date of this Revised Annual Information Form, a director, Chief Executive Officer or Chief Financial Officer of any company (including Liquor Stores), that:

- (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of Liquor Stores, except as disclosed below with respect to Mr. Lynch and Mr. Bebis, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Liquor Stores to affect materially the control of Liquor Stores:

- (a) is, as of the date of this Revised Annual Information Form, or has been within the ten years before the date of this Revised Annual Information Form, a director or executive officer of any company (including Liquor Stores) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this Revised Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

From May 2004 until May 2012, Mr. Lynch was President and Chief Executive Officer of Winn-Dixie Stores Inc., a Florida-based large multi-store grocery retailer. Winn-Dixie Stores Inc. has been publicly-traded, at different times, on the New York Stock Exchange and NASDAQ Stock Market. In February 2005, Winn-Dixie Stores Inc. declared Chapter 11 bankruptcy and underwent restructuring pursuant to Title 11 of the U.S. Bankruptcy Code. The company emerged from Chapter 11 protection in November 2006. At that time, in addition to his position as President and Chief Executive Officer of the company, Mr. Lynch also assumed the role of Chairman of the Board.

From May 2012 until April 2013, Mr. Bebis was President and Chief Executive Officer of Brookstone Inc., a private New Hampshire-based specialty goods retail company. In connection with an intended sale of the company, in April 2014 the company declared Chapter 11 bankruptcy and commenced a restructuring process pursuant to Title 11 of the U.S. Bankruptcy Code.

To the knowledge of Liquor Stores, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Liquor Stores to affect materially the control of Liquor Stores, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

16. CONFLICTS OF INTEREST

Certain directors of Liquor Stores are associated with other companies or entities, including entities engaged in the commercial real estate development, services and leasing businesses, which may give rise to conflicts of interest. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with Liquor Stores are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Liquor Stores. Other than as described above and elsewhere in this Revised Annual Information Form, there are no existing material conflicts of interest between Liquor Stores or its Subsidiaries and any director or officer of Liquor Stores or its Subsidiaries.

17. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any director or executive officer of Liquor Stores, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing persons, in any transaction during Liquor Stores' three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Liquor Stores, other than as disclosed elsewhere in this Revised Annual Information Form.

18. PROMOTERS

No person or company has been, within the two most recently completed financial years or during the current financial year, a "promoter" (as defined in the *Securities Act* (Ontario)) of Liquor Stores or of a Subsidiary of Liquor Stores.

19. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that Liquor Stores is or was a party to, or that any of Liquor Stores' property is or was the subject of, during the most recently completed financial year, that were or are material to Liquor Stores, and there are no such material legal proceedings that Liquor Stores knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" if it involves a claim for

damages and the amount involved, exclusive of interest and costs, does not exceed 10 percent of Liquor Stores' current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, Liquor Stores' has included the amount involved in the other proceedings in computing the percentage.

There were no: (i) penalties or sanctions imposed against Liquor Stores by a court relating to securities legislation or by a security regulatory authority during our most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against Liquor Stores that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements Liquor Stores entered into before a court relating to securities legislation or with a securities regulatory authority during Liquor Stores' most recently completed financial year.

20. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the Convertible Debentures is Valiant Trust Company at its principal offices in Calgary, Alberta.

21. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts that are material to Liquor Stores and that were entered into by Liquor Stores or one of its Subsidiaries within the most recently completed financial year or before the most recently completed financial year but which are still material and are still in effect, are the following:

- a. the credit facility described under "Description of Capital Structure"; and
- b. the Debenture Indenture described under "Description of Capital Structure".

22. INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Liquor Stores during, or related to, its most recently completed financial year.

PricewaterhouseCoopers LLP is the auditor of Liquor Stores and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

23. AUDIT COMMITTEE

Audit Committee Charter

The Charter of Liquor Stores' Audit Committee is attached as **Schedule B**.

Composition of the Audit Committee

Members of the Audit Committee are Robert Green (Chair), Henry Bereznicki, Gary Collins, Peter Lynch, Harry Taylor and Jim Dinning (ex-officio). As Chairman of Liquor Stores, Mr. Dinning is an ex-officio voting

member of each Committee of the Board of Directors of Liquor Stores. Each current member of the Audit Committee is independent and financially literate.

Relevant Education and Experience

Robert S. Green – Director since August 10, 2004

President, North American Development Group & President, Centrecorp Management Services Limited.

Mr. Green obtained an LLB from the University of Toronto Law School, and his current position as President of a large-scale private retail real estate development company combined with his past experience on the boards of both public and private companies have provided him with a strong background in business, finance and mergers & acquisition matters, as well as expertise relative to reviewing, analyzing and interpreting financial statements and business records.

Henry Bereznicki – Director since August 10th, 2004

Mr. Bereznicki was the founder of Liquor World (one of the original companies involved in the formation of Liquor Stores Income Fund), and its President and CEO from 1994 through 2004. Mr. Bereznicki served as Chairman of Liquor Stores from 2004 to 2012. He is currently a Managing Partner of North American Development Group, and is actively involved in the development and acquisition of numerous real assets and active companies. Mr. Bereznicki holds an MBA from Harvard University, specializing in real estate and finance.

Gary Collins – Director since September 5, 2006

Other Public Company Directorships Chorus Aviation Inc.

Previous Employment

From 2012-2014	President, Coastal Contacts Inc.
From 2006 - 2012	Senior Vice President, Belkorp Industries
From 2004 to 2006	President & Chief Executive Officer, Harmony Airways
From 1991 to 2004	Member of the Legislative Assembly of the Province of British Columbia
2001 to 2004	Minister of Finance British Columbia

Jim Dinning – Director since August 10, 2004

Chair, Western Financial Group Inc.

Other Public Company Directorships Russel Metals Inc.
Oncolytics Biotech Inc.

From 1999 to 2001	Chair, Calgary Health Region
From 1992 to 1997	Provincial Treasurer (Alberta)

Mr. Dinning has a B.Comm. and a Masters in Public Administration from Queen's University. He has previously served as a member of the Audit Committees of Parkland Fuel Corp, Finning International Inc. and Shaw Communications Inc.

Peter Lynch –Director since May 13, 2014

Mr. Lynch is the former President and Chief Executive Officer of Winn-Dixie Stores Inc., a Florida-based national grocery retailer. He was appointed to this position in 2004 and held it until 2012. He also served as Chair of the Board. Mr. Lynch holds a Bachelor's of Science degree in Finance from Nichols College in Dudley Mass. Mr. Lynch currently serves on the Board of Directors of Real Estate Properties of America, where he is a member of the Compensation, Nominating and Governance committees. Mr. Lynch is also currently on the Board of Advisors of Sid Wainer & Son, a produce and specialty foods company based out of New Bedford, Mass. and is a Trustee for Nichols College in Dudley Mass.

Harry Taylor –Director since January 1, 2015

In addition to his current role as Senior Vice President, Finance at Canadian Tire, Mr. Taylor has also served as Chief Operating Officer with Mark's (formerly Mark's Work Warehouse, a subsidiary of Canadian Tire). In his role at Canadian Tire, Mr. Taylor leads the operational function of the Finance organization including accountabilities for financial reporting, shared services, treasury, tax and financial systems. Mr. Taylor holds a Bachelor's of Commerce degree from Trinity College, University of Toronto and a Master of Business Administration degree from the University of Western Ontario. Mr. Taylor also holds both Chartered Accountant (Institute of Chartered Accountants of Ontario) and Chartered Professional Accountant (Professional Accountants Canada) designations.

Pre-approval Policies and Procedures

The Audit Committee Charter provides that the Audit Committee approves in advance all permitted non-audit services to be provided to Liquor Stores or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law. The Audit Committee is permitted to but has not delegated any of its authority to grant pre-approvals.

External Auditor Service Fees

The following table summarizes the fees paid by Liquor Stores to PricewaterhouseCoopers LLP for external audit and other services during the periods indicated.

Fee Description	2014	2013
	\$	\$
Audit services	356,000	350,000
Audit related services	-	-
Tax ⁽¹⁾	342,071	237,845
Other ⁽²⁾	97,980	-
Total	796,051	587,845

⁽¹⁾ Tax services comprising tax compliance, tax advice and tax planning, including the preparation of corporate tax returns for Canadian and US reporting entities. Fees incurred in 2014 included costs associated with a corporate reorganization.

⁽²⁾ Other includes services provided in 2014 in connection with the Common Share offering that was completed in December, 2014.

Reliance on Exemptions

At no time since the commencement of Liquor Stores' most recently completed financial year has Liquor Stores relied on any of the exemptions contained in Sections 2.4, 3.2, 3.4 or 3.5 of National Instrument 52-110 ("**NI 52-110**"), or an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof. In addition, at no time since the commencement of Liquor Stores' most recently completed financial year has Liquor Stores relied upon the exemptions in Subsection 3.3(2) or Section 3.6 of NI 52-110. Furthermore, at no time since the commencement of Liquor Stores' most recently completed financial year has Liquor Stores relied upon Section 3.8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of Liquor Stores' most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board of Directors of Liquor Stores.

24. ADDITIONAL INFORMATION

Additional information relating to Liquor Stores may be found on SEDAR at www.sedar.com and on Liquor Stores' website at www.liquorstoresna.ca

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Liquor Stores' securities and securities authorized for issuance under equity compensation plans, is contained in Liquor Stores' Information Circular for its most recent annual meeting which may be found on SEDAR at www.sedar.com.

Additional financial information is provided in Liquor Stores' financial statements and management's discussion and analysis for the year ended December 31, 2014, which documents may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

GLOSSARY OF TERMS

In this Revised Annual Information Form, the following terms have the meanings set forth below, unless otherwise indicated:

"**ABCB**" means the Alcoholic Beverage Control Board (Alaska);

"**Affiliate**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"**AGLC**" means the Alberta Gaming and Liquor Commission (formerly the Alberta Liquor Control Board), established pursuant to the GLA, which, among other things, administers the GLA and controls, in accordance with the GLA, the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta, and which, through the board of the AGLC, establishes policies, conducts hearings and makes decisions respecting licenses and registrations under the GLA;

"**Associate**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"**BCLCLB**" means the Liquor Control and Licensing Branch of the Province of British Columbia;

"**BCLDA**" means the *Liquor Distribution Act* (British Columbia);

"**Board**" or "**Board of Directors**" means the board of directors of Liquor Stores;

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder;

"**CLS**" means Connect Logistics Services, Inc.;

"**Common Share**" means a common share in the capital of Liquor Stores;

"**Convertible Debentures**" means the 5.85% convertible unsecured subordinated debentures of Liquor Stores issued pursuant to the Debenture Indenture, issued on April 23, 2012;

"**Corporate Conversion**" means the reorganization of Liquor Stores Fund from an income trust structure to a publicly traded corporation, being Liquor Stores, pursuant to a plan of arrangement completed under the CBCA effective December 31, 2010;

"**Debenture Indenture**" means the trust indenture dated as of December 21, 2007 between Liquor Stores Fund (the predecessor to Liquor Stores) and CIBC Mellon Trust Company (the predecessor to Valiant Trust Company), as supplemented by a first supplemental trust indenture dated as of December 31, 2010 among Liquor Stores, Valiant Trust Company and BNY Trust Company of Canada (successor to CIBC Mellon Trust Company), and as further supplemented by a second supplemental indenture dated April 23, 2012, creating and setting forth the terms of the Convertible Debentures to be entered into between Liquor Stores and the Debenture Trustee;

"**Debenture Trustee**" means Valiant Trust Company;

"**GLA**" means the *Gaming and Liquor Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**KYABC**" means the Department of Alcoholic Beverage Control (Kentucky);

"**Liquor Stores**", "**we**", "**us**" or "**our**" means: (i) subsequent to the completion of the Corporate Conversion, Liquor Stores N.A. Ltd., a corporation incorporated under the CBCA and the successor to Liquor Stores Fund; and (ii) prior to the completion of the Corporate Conversion, Liquor Stores Fund. Where the context requires, these terms also include all of Liquor Stores' Subsidiaries on a consolidated basis;

"**Liquor Stores Fund**" means Liquor Stores Income Fund, which income trust was reorganized into Liquor Stores pursuant to the Corporate Conversion;

"**Liquor Stores Partnership**" means Liquor Stores Limited Partnership, a limited partnership formed under the laws of Alberta;

"**Shareholders**" mean the holders of Common Shares from time to time;

"**Subsidiaries**" has the meaning ascribed thereto in the *Securities Act* (Alberta) and, for greater certainty, includes all corporations and partnerships owned, controlled or directed, directly or indirectly, by Liquor Stores;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, C. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

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

"**Trust Unit**" means a trust unit of Liquor Stores Fund, all of which were exchanged for Common Shares on a one-for-one basis pursuant to the Corporate Conversion; and

"**United States**" or "**U.S.**" means the United States of America.

SCHEDULE "B"

LIQUOR STORES N.A. LTD. - AUDIT COMMITTEE CHARTER

The term "**Corporation**" refers to Liquor Stores N.A. Ltd., the term "**Board**" refers to the board of directors of the Corporation, the term "**GP**" refers to Liquor Stores GP Inc., and the term "**LP**" refers to Liquor Stores Limited Partnership.

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Corporation's financial reporting, including responsibility to:

- oversee the integrity of the Corporation's consolidated financial statements and financial reporting process, including the audit process and the Corporation's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Corporation's external auditors;
- oversee the work of the Corporation's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the Board and the officers (collectively, "**Management**") of the Corporation.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Corporation, the LP or the GP or any of their respective subsidiaries and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Corporation's shares are listed for trading).

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Corporation's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee will endeavour to meet at least once every quarter, and more often as warranted, with the Chief Financial Officer of the Corporation and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Corporation's expense.

6. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation, the GP, and the LP from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

7. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Corporation.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

In Respect of the Corporation's External Auditors

- (a) review the performance of the external auditors of the Corporation who are accountable to the Committee and the Board as the representatives of the shareholders of the Corporation, including the lead partner of the independent auditor team and make recommendations to

the Board as to the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's proxy circular for shareholder approval and shall have authority to terminate the external auditors;

- (b) review the reasons for any proposed change in the external auditors of the Corporation which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;
- (c) approve the terms of engagement and the compensation to be paid by the Corporation to the Corporation's external auditors;
- (d) review the independence of the Corporation's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (e) approve in advance all permitted non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;
- (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Corporation's external auditors;
- (g) approve any hiring by the Corporation or its subsidiaries of employees or former employees of the Corporation's external auditors;
- (h) review a written or oral report describing:
 - (i) critical accounting policies and practices to be used in the Corporation's annual audit,
 - (ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management and that are significant to the Corporation's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
 - (iii) other material written communication between the Corporation's external auditors and Management, such as any management letter or schedule of unadjusted differences;
- (i) review with the external auditors and Management the general audit approach and scope of proposed audits of the consolidated financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- (j) if a review engagement report is requested of the external auditors, review such report before the release of the Corporation's interim consolidated financial statements; and

- (k) discuss with the external auditors any difficulties or disputes that arose with Management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of Management's responses in correcting audit-related deficiencies.

In Respect of the Corporation's Financial Disclosure

- (a) review with the external auditors and Management:
 - (i) the Corporation's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Corporation contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Corporation, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO of the Corporation and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;
 - (ii) the Corporation's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO of the Corporation and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;
 - (iii) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;
 - (iv) all significant financial reporting issues and judgments made in connection with the preparation of the Corporation's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
 - (v) the effect of regulatory and accounting initiatives on the Corporation's consolidated financial statements and other financial disclosures;
 - (vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Corporation;
 - (vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation;
 - (viii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or

contingency has been disclosed in the Corporation's consolidated financial statements;

- (ix) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Corporation's operations; and
 - (x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.
- (b) review and resolve disagreements between Management and the Corporation's external auditors regarding financial reporting or the application of any accounting principles or practices;
 - (c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Corporation gives earning guidance;
 - (d) establish and monitor procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Management these procedures and any significant complaints received;
 - (e) receive from the Chief Executive Officer and the Chief Financial Officer of the Corporation a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws; and
 - (f) review and discuss the Corporation's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

In Respect of Insurance

- (a) review periodically insurance programs relating to the Corporation and its investments.

In Respect of Internal Controls

- (a) review the adequacy and effectiveness of the Corporation's internal accounting and financial controls based on recommendations from Management and the external auditors for the improvement of accounting practices and internal controls; and
- (b) oversee compliance with internal controls and the Joint Code of Business Conduct.

V. In Respect of Other Items

- (a) on an annual basis review and assess committee member attendance and performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;
- (b) on a quarterly basis review the prior quarter dividends;

- (c) on an annual basis review the dividend reinvestment plan;
- (d) on an annual basis review the performance of the Board under the Board's mandate; and
- (e) on a quarterly basis review compliance with the Joint Disclosure Policy of the Corporation.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's consolidated financial statements are complete and accurate or are in accordance with International Financial Reporting Standards (IFRS) and applicable rules and regulations. These are the responsibilities of Management and the Corporation's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.