EMPIRE

COMPANY LIMITED

ANNUAL INFORMATION FORM

Year Ended May 1, 2010

July 23, 2010

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FORWARD-LOOKING STATEMENTS

All disclosure for Empire Company Limited ("Empire" or "the Company") is as of fiscal year-end, May 1, 2010, unless otherwise indicated.

This Annual Information Form ("AIF") contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. All statements other than statements of historical facts included in this AIF, including statements regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities may constitute forward-looking information. Expressions such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees", "remain confident that" and other similar expressions or the negative of these terms are generally indicative of forward-looking statements.

These statements are based on Empire management's reasonable assumptions and beliefs in light of the information currently available to them. The forward-looking information contained in this AIF is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operations as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Such forward-looking information is not fact but only reflections of management's estimates and expectations. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to: changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices, supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, operating efficiencies and cost saving initiatives. In addition, these uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Management section of the Company's fiscal 2010 Management Discussion and Analysis, which is incorporated by reference into this AIF, a copy of which as been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Empire cautions that the list of important factors is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Forward-looking statements may not take into account the effect on the Company's business of transactions occurring after such statements have been made. For example, dispositions, acquisitions, asset write-downs or other changes announced or occurring after such statements are made may not be reflected in forward-looking statements. The forward-looking information in this AIF reflects the Company's expectations as of June 25, 2010, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

These forward looking statements include the following items:

- Sobeys' expectations that the new distribution centre opened in Vaughan, Ontario will reduce overall distribution costs;

- Sobeys' expectations that administrative and business rationalization activities as well as system process initiatives in prior years and upcoming quarters will have a cost impact as expected and will provide thereafter annualized cost reductions, both of which could be impacted by the final scope and scale of these activities; and

- The Company's understanding of competitive, demographic, lifestyle, health and other trends and its ability to continue to adapt to these trends.

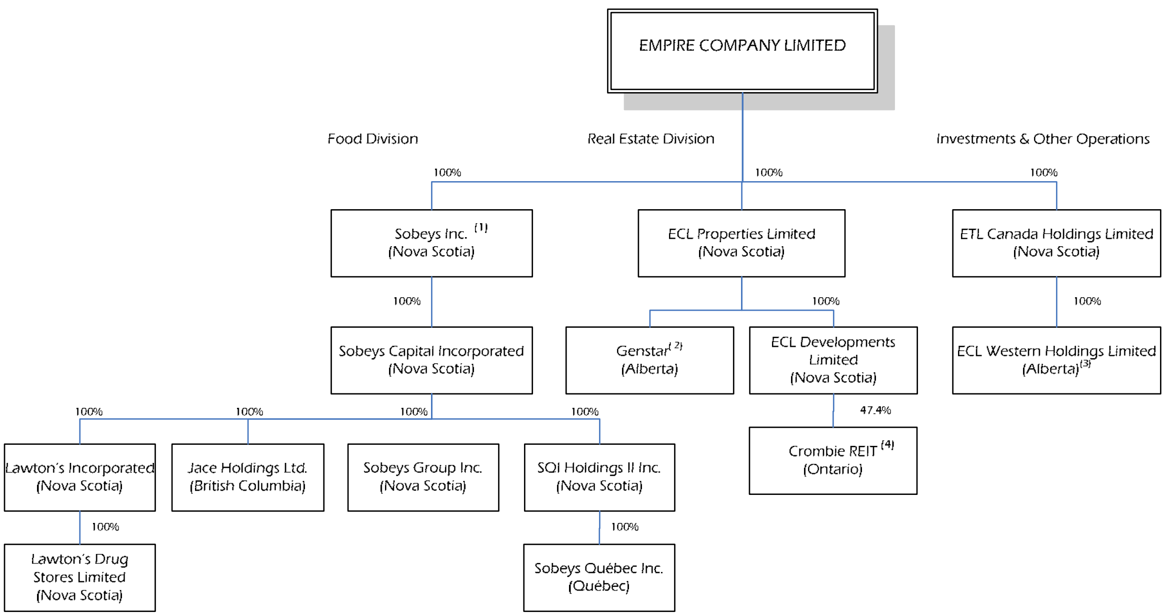
CORPORATE STRUCTURE

Name and Incorporation

Empire Company Limited was created by amalgamation under the Companies Act (Nova Scotia) on January 31, 1973. Predecessors of Empire had been carrying on business since 1907. Empire's head office is located at 115 King Street, Stellarton, Nova Scotia. In this AIF, **"**Empire**"** or the "Company" is used to refer collectively to Empire Company Limited and all of its subsidiaries, except where the context requires otherwise.

Intercorporate Relationships

The following chart shows the names of the principal subsidiaries of Empire, their respective jurisdictions of incorporation, and the percentages of voting and non-voting securities owned by Empire as of May 1, 2010.



Notes:

(1) Empire owns 27.9% of Sobeys Inc. directly and the balance (72.1%) indirectly through subsidiaries including Empro Holdings Limited (Nova Scotia) and Emplink Investments Limited (Nova Scotia).
(2) ECL Properties Limited indirectly holds a 40.7% interest in Genstar Development Partnership (Alberta) and a 44.8% interest in Genstar Development II Partnership (Alberta).
(3) ECL Western Holdings Limited (Alberta) owns a 27.6% interest in Wajax Income Fund.
(4) Empire owns Class B Limited Partnership Units of Crombie Limited Partnership (Nova Scotia) which are exchangeable into and equivalent to units of Crombie REIT and represented a 47.4% indirect ownership interest in Crombie REIT at May 1, 2010. A Special Voting Unit of Crombie REIT is attached to each Class B Limited Partnership Unit.

GENERAL DEVELOPMENT OF THE BUSINESS

Empire Company Limited (TSX symbol: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses include food retailing, real estate and investments and other operations. Guided by conservative business principles, Empire's primary goal is to grow long-term shareholder value through income and cash flow growth and equity participation in businesses that have the potential for long-term growth and profitability. Over the past three years, Empire has strengthened its businesses through acquisitions, dispositions of non-strategic assets, capital investments, and strategic management. The developments of the various segments of the Company's business over the past three fiscal years are discussed in the following sections.

Food Retailing

Empire's food retailing business is carried on through Sobeys Inc. ("Sobeys"), which is headquartered in Stellarton, Nova Scotia. Sobeys is a leading national grocery retailer and food distributor. A wholly-owned subsidiary of Empire as of June 15, 2007 (see "Significant Acquisitions and Dispositions"), Sobeys owns or franchises more than 1,300 grocery stores in all ten provinces under retail banners that include Sobeys, IGA, IGA *extra*, Foodland, Price Chopper and Thrifty Foods as well as Lawtons Drug Stores. Sobeys is committed to providing the most worthwhile experience for its customers, employees, franchisees, suppliers and shareholders.

Over the previous three fiscal years, Sobeys has continued to grow and develop as a leading Canadian grocery retailer and food distributor. Sobeys has made significant investment over the previous three fiscal years to support that growth, through property and equipment purchases totaling $341 million in fiscal 2010, $354 million in fiscal 2009 and $479 million in fiscal 2008.

Fiscal 2010

Sobeys' strategy is focused on delivering the best food shopping experience to its customers in the right format, right-sized stores, supported by superior customer service. The five distinct store formats deployed by the Company to satisfy its customers' principal shopping requirements are the full service, fresh service, community service, price service and convenience service formats. Sobeys remains focused on improving the product, service and merchandising offerings within each format by realigning and renovating its current store base, while continuing to build new stores. Sobeys seven major banners are the primary focus of these format development efforts.

During fiscal 2010, Sobeys opened, replaced, expanded, renovated, acquired and/or converted the banners in 76 stores. In fiscal 2010, Sobeys continued to execute a number of programs in support of its food-focused strategy including product and service innovations, productivity initiatives and business process, supply chain and system upgrades.

Eight FreshCo discount stores were opened at the beginning of fiscal 2011. These FreshCo discount stores are designed to offer low prices without compromising service which would typically be experienced at discount grocery retailers. FreshCo shoppers will enjoy fresh merchandise at low prices, with an expanded selection of meats and produce, including high quality choices and seasonal, locally-produced products. During the fourth quarter of fiscal 2010, Sobeys incurred $5.0 million in one time start up costs and fixed asset write offs related to this initiative.

The business process and information systems implementation began in Quebec during the first quarter of fiscal 2010. The business process and system initiative costs primarily include labour, implementation and training costs associated with these initiatives. During fiscal 2010, $11.3 million of pre-tax costs were incurred related to these initiatives.

During fiscal 2010, Sobeys did not recognize any severance costs, related to the development of the newly constructed automated distribution facility in Vaughan, Ontario. The new distribution centre, which opened in fiscal 2010, is expected to provide annual distribution savings in excess of those costs incurred in fiscal 2009 and any additional business rationalization or restructuring costs incurred leading up to its opening.

No costs due to rationalization of administrative functions were incurred by Sobeys in fiscal 2010.

Fiscal 2009

During fiscal 2009, Sobeys opened, replaced, expanded, renovated, acquired and/or converted the banners in 74 stores. In fiscal 2009, Sobeys continued to execute a number of initiatives in support of its food-focused strategy including product and service innovations, productivity initiatives and business process, supply chain and system upgrades.

The Sobeys brand continued to build equity with customers. Through continued improvements in the execution of our strategy to focus on food, driven by fresh food expertise, supported by superior service, in the right-sized stores in every community we serve, Sobeys was named one of the top five Canadian retail brands of 2009 by Interbrand.

During fiscal 2009, Sobeys recognized $6.9 million of severance costs related to the development of the new distribution facility in Vaughan, Ontario and a rationalization of certain administrative functions in Ontario.

During fiscal 2009, Sobeys continued a rationalization of administrative functions in its National and other regional departments. An additional $3.8 million of rationalization costs were incurred during fiscal 2009.

Fiscal 2008

During fiscal 2008, Sobeys opened, replaced, expanded, renovated, acquired and/or converted the banners in 157 stores. During the year, Sobeys continued to execute a number of initiatives in support of its food-focused strategy including productivity initiatives and business process, supply chain and system upgrades.

On April 23, 2008, Sobeys acquired 100 percent of the shares of Sobey Leased Properties Limited (“SLP”), which were previously held by Empire directly.

On September 12, 2007, Sobeys completed the purchase of Thrifty Foods, a British Columbia based network of 20 full-service supermarkets, a main distribution centre and a wholesale division on Vancouver Island and the lower mainland of British Columbia.

Sobeys made significant progress in the implementation of system-wide business process optimization and rationalization initiatives designed to reduce complexity and improve processes and efficiency throughout Sobeys. A business process and information system transformation plan, similar to that deployed in the Ontario region, began in the Western region during fiscal 2007 and was completed during the second quarter of fiscal 2008. During the first quarter of fiscal 2008, Sobeys completed a rationalization of administrative functions in its National and other regional departments.

Real Estate

Empire’s real estate division includes commercial and residential property operations. The Company’s commercial real estate operations are focused on the development of food-anchored shopping plazas through wholly-owned ECL Properties Limited ("ECL"), which includes wholly-owned ECL Developments Limited ("ECL Developments") and ownership of retail and office properties through a 47.4 percent indirect ownership interest in Crombie REIT as of May 1, 2010 (47.9 percent at May 2, 2009). ECL also owns various commercial properties held for sale or redevelopment.

The focus of Empire's residential operations is on land development, predominantly through a 40.7 percent ownership interest in Genstar Development Partnership and a 44.8 percent interest in Genstar Development II Partnership (collectively referred to as "Genstar"). Genstar is a residential land development business with operations primarily in Ontario and Western Canada.

Empire summarizes its real estate financial results between commercial property operations, consisting of ECL's results (excluding Genstar), and residential property operations which consist primarily of Genstar's financial results.

Fiscal 2010

During fiscal 2010, ECL Developments continued to work with Sobeys, Lawtons and Crombie REIT to generate commercial property development opportunities. By the end of fiscal 2010, ECL Developments had 20 projects in various stages of development, representing approximately 1.7 million square feet of gross leaseable area ("GLA"). Of the current projects under development, 80 percent will be anchored by a Sobeys business.

During fiscal 2010, Genstar contributed $21.8 million in net earnings as compared to $23.3 million in fiscal 2009. The decline in Genstar's earnings contribution was expected as a result of an anticipated slowdown in housing starts particularly in Western Canada. During fiscal 2010, Empire increased its percentage interest in Genstar Development Partnership to 40.7 percent from 35.7 percent and in Genstar Development II Partnership from 43.4 percent to 44.8 percent.

On June 25, 2009, Crombie REIT closed a bought-deal public offering of units at a price of $7.80 per unit. In satisfaction of its pre-emptive right with respect to the public offering, the Company subscribed for approximately $30.0 million of Class B Units (which are convertible on a one-for-one basis into Units of Crombie REIT). Consequently the Company's interest in Crombie REIT was reduced from 47.9 percent at the end of fiscal 2009 to 47.4 percent at the end of fiscal 2010.

During fiscal 2010, ECL Developments sold eight commercial properties to Crombie REIT for net cash proceeds of $52.6 million, which was fair market value. Proceeds from these property sales were used by ECL to reduce its bank indebtedness.

On a fully diluted basis (assuming conversion of all outstanding convertible securities of Crombie REIT), the Company's interest in Crombie REIT would be approximately 40.3 percent.

Fiscal 2009

By the end of fiscal 2009, ECL Developments had 18 grocery-anchored plazas under development representing approximately 1.7 million square feet of GLA. More than 90 percent of the projects developed were anchored by a Sobeys business.

In the first quarter of fiscal 2009, a non-core property located in Mount Pearl, Newfoundland was sold. The Company's self-storage business, Atcan, was sold for $25.6 million in the second quarter of fiscal 2009.

During fiscal 2009, Genstar contributed $23.3 million in net earnings as compared to $34.7 million in fiscal 2008. The decline in Genstar's earnings contribution was expected as a result of an anticipated slowdown in housing starts particularly in Western Canada.

Fiscal 2008

On April 22, 2008, the Company's real estate division sold 61 retail properties representing approximately 3.3 million square feet of GLA to Crombie REIT. The selling price in respect of the 61 properties was $428.5 million representing an effective capitalization rate of 8.12 percent before transaction costs (see "Significant Acquisitions and Dispositions"). The $428.5 million consideration included an additional equity investment in Crombie REIT of $55.0 million which effectively resulted in an ownership interest in Crombie REIT being 47.8 percent at the end of fiscal 2008.

During the fourth quarter of fiscal 2008, ECL Developments finalized a $100.0 million revolving term credit facility for the primary purpose of developing food-anchored retail shopping plazas. Sobeys or a related banner would be positioned as the food retail anchor and ultimately the property would be offered for sale to Crombie REIT. Pursuant to the development agreement between Crombie REIT and ECL, Crombie REIT can elect to purchase the property being offered or if not interested, the property would then be offered for sale to a third party.

During fiscal 2008, we expanded ECL Developments' real estate team to include real estate development vice presidents in Atlantic Canada, Québec and British Columbia. These individuals, in addition to our existing teams in Ontario and Atlantic Canada, will work closely with Sobeys, including newly-acquired Thrifty Foods, to develop properties that expand the growth potential for the food retailing division and Crombie REIT.

During fiscal 2008, ECL Developments continued to work on several ongoing redevelopment projects which included the conversion of Fredericton Mall in New Brunswick into a power centre, Phase II of the Greenfield Park site in Montreal, as well as the redevelopment of Highland Square Mall in New Glasgow, Nova Scotia, and development projects in Brantford, Ontario and Moncton, New Brunswick.

During fiscal 2008, Genstar continued to be an excellent investment, contributing $34.7 million in earnings. Genstar's earnings contribution was below fiscal 2007's record performance as a result of an anticipated slowdown in residential lot selling activity.

Investments and Other Operations

Investments and other operations primarily consist of wholly-owned ETL Canada Holdings Limited operating as Empire Theatres (collectively "Theatres"); a 27.6 percent indirect interest in Wajax Income Fund ("Wajax") which is owned by ECL Western Holdings Limited; and Kepec Resources Limited ("Kepec"), a party to a joint venture with APL Oil and Gas Limited, which has ownership interests in various oil and gas properties in Alberta.

As at May 1, 2010, Theatres operated 380 screens in 51 locations in eight provinces from coast-to-coast. Theatres has expanded over time, organically and through acquisitions, to become the second largest movie exhibitor in Canada.

During the first quarter of fiscal 2008, the majority of the liquid investment portfolio, with the exception of the investment in Wajax, was sold to assist in financing the acquisition of the remaining common shares of Sobeys that Empire did not already own.

Corporate

On April 24, 2009, the Company closed a bought-deal public offering of Non-Voting Class A shares at a price of $49.75 per share pursuant to an underwriting agreement dated April 8, 2009 (the "Underwriting Agreement") between Empire and Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., Beacon Securities Limited and Jennings Capital

Inc. The underwriters elected to exercise their over-allotment option in full resulting in a total of 2,713,000 shares being issued for net proceeds of $129.1 million.

On September 30, 2009, the Company purchased $10.0 million of convertible unsecured subordinated debentures (the “Debentures”) from Crombie REIT, pursuant to a bought-deal prospectus offering of a total of $85.0 million. The Debentures have a maturity date of June 30, 2015. The Debentures have a coupon of 6.25 percent per annum and each $1,000 principal amount of Debenture is convertible into approximately 90.9091 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of $11.00 per unit. The Debentures have been classified as available-for-sale and are included in investments, at realizable value.

From time to time, Empire will acquire, repurchase, or redeem its own securities. These share repurchases were carried out in order to effectively offset the issuance of additional Non-Voting Class A shares under Empire’s Employee Share Purchase Plan (“ESPP”).

During fiscal 2010, the Company did not purchase for cancellation any Series 2 preferred shares. During fiscal 2009, the Company purchased for cancellation 90,200 Series 2 preferred shares for $2.3 million compared to 41,800 preferred shares that were purchased for cancellation in fiscal 2008 for $1.0 million.

During fiscal 2010 and fiscal 2009, there were no Non-Voting Class A shares issued under Empire’s ESPP compared to 10,461 Non-Voting Class A shares issued in fiscal 2008 for $0.4 million. No Non-Voting Class A shares were purchased for cancellation in fiscal 2010 or in fiscal 2009.

Trends

Over the past decade, there have been considerable changes in food retailing reflecting new competitive pressures as well as the changing demographics, lifestyle choices and preferences of Canadians. With the aging of the baby-boom generation and the rise of dual career families, Canadians have more disposable income but less free time, placing a greater value on service and convenience. This has fueled the increasing popularity and demand for ready-to-eat, ready-to-serve products as well as significant growth in frozen foods. As well, the multicultural complexion of the country has evolved as has consumer focus on health and wellness. All of these trends have been driving demand for greater diversity and choices in food. In addition, Canadians are becoming increasingly more informed, and concerned, about the sources, quality and environmental impact and sustainability of their food choices, thereby placing greater expectations on those that produce and sell food.

At the same time, the entire retail landscape continues to blur, as major retailers across many channels look for a larger share of each customer’s wallet and seek to leverage their real estate investments by providing a broader array of non-traditional offerings in their stores. Increasingly, many non-grocers are offering convenience food and grocery products. In addition, new mass merchandisers have entered Canadian markets in recent years and continue to expand their square footage. In fiscal 2009, food inflationary pressures were felt in several product areas and peaked during the fourth quarter. During fiscal 2010, retail food inflation decelerated and by the fourth quarter deflationary pressures were experienced across the industry.

All of these trends have resulted in broader consumer choice, greater value to the customer, increasingly intense competition and growing pressure on gross margins.

With respect to real estate development, the trend has been for large anchor retailers to locate away from traditional enclosed shopping centres to free-standing strip mall locations. ECL has and will continue to address this ongoing trend by redeveloping certain regional and neighbourhood shopping centres where anchor tenants may be relocated to free-standing structures and accelerating our development of grocery anchored strip shopping centers with tenancy that has a beneficial effect on Sobeys.

There has been a slowdown in residential lot selling activity. Volatile capital markets and the real estate slowdown in the United States are likely to continue to affect the Canadian economy which may impact our residential operations. Not only is credit tight, which can have significant impact on a capital intensive business like real estate, consumers and real estate buyers have become hesitant. With the strength of ECL's relationship with Sobeys and Crombie REIT, combined with its strict disciplined approach, Management is confident ECL will continue to build shareholder value through the real estate and economic cycles.

With respect to the movie-going experience, the trend has been for a more enriched entertainment experience through curved screens, stadium-style auditoriums, more comfortable seating, digital projection and 3-D content, a broader array of concession products and other programming to complement the traditional filmed programming.   Theatres' strategy has been to bring these amenities to the markets it serves.

Reference is also made to the section titled "Description of the Business – Competition."

Significant Acquisitions and Dispositions

There were no significant acquisitions or dispositions for Empire during fiscal 2010 or fiscal 2009.

On April 22, 2008, the Company's real estate division sold 61 commercial properties to Crombie REIT for cash proceeds of $373.5 million plus additional Class B Units of Crombie Limited Partnership totalling $55.0 million, which was fair market value. In accordance with Canadian generally accepted accounting principles ("GAAP"), the after-tax gain on this transaction of $144.3 million has been accounted for as a reduction in the carrying value of Empire's investment in Crombie REIT because the purchaser is a related-party. See Note 3 to the Company's annual audited financial statements for fiscal 2009 as detailed on page 74 of the Company's Fiscal 2009 Annual Report for more information.

On September 12, 2007, Sobeys acquired all of the assets and assumed certain liabilities of Thrifty Foods for an amount of $253.6 million. The assets acquired include 20 full-service supermarkets, a main distribution centre and a wholesale division on Vancouver Island and the lower mainland of British Columbia. The acquisition was accounted for using the purchase method with the results of Thrifty Foods being consolidated as of the acquisition date. The measurement and allocation of finite life intangible assets and goodwill was completed during the fourth quarter of fiscal 2008.

On June 15, 2007, Empire completed the acquisition of all of the outstanding common shares of Sobeys that it did not own. At the time, Empire owned 72.1 percent of the outstanding common shares of Sobeys. The acquisition was effected by way of a court-approved plan of arrangement. The total cost of the transaction was approximately $1.06 billion. Effective June 18, 2007, the common shares of Sobeys were delisted from the Toronto Stock Exchange and effective May 2, 2008, Sobeys became a venture issuer(as defined in National Instrument 51-102).

DESCRIPTION OF THE BUSINESS

The following is a brief description of each of Empire's operating divisions. Segmented financial information for fiscal 2010 and 2009 is contained in the "Notes to the Consolidated Financial Statements", which is incorporated herein by reference to pages 91 and 93 of the Empire 2010 Annual Report.

Wherever possible, Empire management maximizes synergies between operating companies. For the Company's real estate operations, this relationship provides top-quality anchor tenants and a stable source of revenue and cash flow. For the Company's food retailing, drug, and theatre operations, it provides added flexibility to respond to competitive conditions.

Food Retailing

Sobeys carries on business in the retail food distribution industry across Canada, including the retail and wholesale distribution of pharmaceutical, health and beauty products. Sobeys' food and pharmacy distribution businesses operate through company-owned stores, franchised stores, affiliated stores and independent accounts.

At May 1, 2010, Sobeys had approximately 46,750 full and part-time employees.

The major businesses and/or regions of Sobeys, their respective geographic areas of operations and their respective operating subsidiary companies are:

BUSINESS/REGION	GEOGRAPHIC AREA	SUBSIDIARY
Sobeys Atlantic (corporate & franchise stores)	Atlantic Canada	Sobeys Group Inc.
Sobeys Québec (corporate & franchise stores)	Québec	Sobeys Québec Inc.
Sobeys Ontario (corporate & franchise stores)	Ontario	Sobeys Capital Incorporated
Sobeys West (corporate & franchise stores)	Western Canada	Sobeys Capital Incorporated
Lawtons (corporate & franchise drug stores)	Atlantic Canada	Lawton's Drug Stores Limited
Thrifty Foods (corporate stores)	British Columbia	Jace Holdings Ltd.

Operations

Sobeys employs a variety of store formats in its corporate and franchised retail operations, ranging from full service supermarkets to convenience stores, thereby allowing Sobeys to better tailor its offering to the various customer segments it serves.

Sobeys' overarching goal is to satisfy more of its current shoppers' requirements for food and related merchandise while earning the loyalty of more and more customers, resulting in higher sales and profit per square foot. As part of Sobeys' strategy for growth, Sobeys goes to market through five customized store formats:

Full Service Format Stores are food stores that are ready to serve the total food shopping requirements of our customers with the broadest assortment and specialty items designed for each unique market we serve – from sushi bars and kosher cuisine to health and wellness offerings. Full Service Format

Stores are intended to provide superior customer care – from full service meat, deli and seafood counters to the value-added food knowledge and expertise provided by our 1,900 Aide-Gourmet personnel in Québec. Full Service Format Stores are branded Sobeys, IGA *extra* and Thrifty Foods and are located in throughout all regions.

Fresh Service Format Stores are food stores that are ready to serve the "fresh fill-in" and "today's meal" needs of customers and are intended to provide superior service and customized offerings. Fresh Service Format Stores are branded Sobeys, Sobeys Urban Fresh and IGA and are located in Western Canada, Ontario and Québec.

Community Service Format Stores are food stores that are ready to serve the "routine and fill-in" food shopping occasions of our customers in rural and one-store communities. Community Service Format Stores are branded IGA, Foodland and Marché Bonichoix, and Les Marchés Tradition and are located in Atlantic Canada, Quebec, Ontario and Western Canada.

Price Service Format Stores are food stores that are ready to serve customers with low prices every day, in markets and for customers where price is the driving factor for store selection. Price Service Format Stores are branded Price Chopper and are located in Atlantic Canada, Ontario and one store in Western Canada.

Convenience Service Format Stores are food stores that are ready to serve the "on-the-go" convenience needs of our customers. Convenience Service Format Stores are branded Needs and are located in Atlantic Canada.

The franchise operations of Sobeys provide operational support to its franchisees and affiliated independent retailers in such areas as advertising, promotion, merchandising, purchasing and store planning and design. The objective of this relationship is to provide the independent retailer with many benefits including a broad range of private label products and cooperative advertising and commercial programs. Sobeys operates franchised stores under the IGA, IGA *extra*, Sobeys, Price Chopper and Foodland banners.

A description of the geographic locations and banners of Sobeys retail stores, including the number of franchised stores versus corporate stores, is provided in the attached Appendix A.

In addition to distribution to corporate and franchised stores, Sobeys provides wholesale distribution of a full range of products to affiliated retail stores and independent accounts. Sobeys' wholesale business is operated under the names Lumsden Brothers, a division of Sobeys Capital Incorporated, in Ontario and TRA Atlantic, a division of Sobeys Group Inc., in Atlantic Canada. Sobeys also operates "Cash & Carry" wholesale outlets in the West and Atlantic provinces where certain convenience store and restaurant operators shop for food and tobacco products.

Products and Programs

Compliments, Sobeys' private label brand, was launched in fiscal 2005 to contribute to growth of company-wide profitability and earn a greater share of customers' food and grocery shopping requirements. The Sobeys' Private label brand consists of three tiers: *Signal*, *Compliments* and *Sensations by Compliments.* In addition, the Company has introduced three *Compliments* sub-brands, *Compliments Organic*, *Compliments Balance* and *Compliments Greencare*, organic, healthy, and environmentally sustainable lines of products, respectively.

Fiscal 2010 saw the repositioning of the private label program. With distinctive new packaging and specific product enhancements well underway, the private label program more clearly communicates the qualities of the *Compliments* national brand equivalent and *Sensations by Compliments* affordable indulgence tiers. Sobeys launched the *Signal* brand in fiscal 2010 which replaces the *Compliments*

Value brand. *Signal* is focused on meeting the price needs of customers by offering an assortment of everyday grocery basics from paper products to frozen food. At the end of fiscal 2010 the *Compliments* brand consisted of approximately 5,000 products.

In fiscal 2009, Sobeys launched *Compliments* fresh, ready, home meal replacements as customers seek alternatives to dining out and meal solutions that will save them time and money. In addition, in fiscal 2009 Sobeys expanded *Gourmet Minute* home meal replacements across all regions. Also in fiscal 2009, Sobeys re-launched Compliments.ca, a website that features a streamlined new look and provides greater Compliments and food-focused information.

During fiscal 2010, a rewards program, Club Thrifty Foods, was launched in Western Canada. It follows a similar point earning and redemption structure as the Club Sobeys rewards program, which was launched in September 2008 in Sobeys banner stores in Ontario and Western Canada. The launch of Club Thrifty Foods, Club Sobeys and Club Sobeys MasterCard in Ontario and the West complements the highly popular AIR MILES® Reward Program offered in the Atlantic and Québec regions.

The AIR MILES® Reward Program is offered to customers by certain banners of Sobeys throughout Atlantic Canada and Québec. The program offers Sobeys' customers discounts, contests, and other loyalty rewards, while providing Sobeys with increased customer loyalty and insight on customer buying habits as part of an overall customer relationship management strategy. In fiscal 2009, the AIR MILES® Reward Program was expanded to include Foodland stores in Atlantic Canada.

Real Estate

Empire's real estate division is focused on both commercial and residential property operations. Commercial operations during fiscal 2010 included ownership of retail and office properties through a 47.4 percent ownership interest in Crombie REIT as well as the development of food-anchored shopping plazas indirectly through wholly-owned ECL Developments. During fiscal 2010, eight shopping plazas were completed, representing over 300,000 square feet of gross leaseable area. Another 20 properties in our pipeline were in various stages of development at fiscal year-end, of which 80 percent are anchored by a Sobeys related business.

The focus of our residential operations is on residential land development through a 40.7 percent ownership interest in Genstar Development Partnership, which operates principally in communities in Ontario and Western Canada.

Competitive Strengths

- Our knowledge, experience and management strength in real estate.
- The close working relationship between Sobeys and Crombie REIT which optimizes the development of food-anchored shopping plazas across Canada.
- Crombie REIT has first right to acquire properties from Empire which reduces risk and enhances opportunities for both businesses.
- Through Genstar, our residential property operation has attractive land holdings, primarily in western Canada, and a proven, experienced management team.

Commercial Operations

During fiscal 2010, ECL Developments worked hand-in-hand with Sobeys' national and regional site selection teams to support the growth of our food retailing operations.

For new commercial property development, which is largely focused on food-anchored shopping plazas, management is committed to adhering to a disciplined growth strategy. Specifically, investment decisions are guided by pre-established criteria, including:

- Great property location;
- Disciplined cost controls;
- Beneficial competitive effect for Sobeys; and
- Satisfactory return on investment.

As at May 1, 2010, Empire, through wholly-owned ECL, had a 47.4 percent indirect ownership interest in Crombie REIT. Crombie REIT is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. Crombie REIT invests in income-producing retail, office and mixed-use properties located in Canada and has a growth strategy focused primarily on the acquisition of grocery-anchored retail properties. As of June 30, 2010, Crombie REIT has a portfolio of 118 commercial properties in seven provinces, comprising approximately 11.5 million square feet of GLA including Atlantic Canada's largest commercial real estate portfolio. Crombie REIT is well-positioned in many of its markets, as much of its real estate is strategically situated and mature.

Pursuant to a development agreement with Crombie REIT dated March 23, 2006 between ECL and Crombie REIT, ECL provides Crombie REIT with a preferential right to acquire all property developments proposed to be undertaken by ECL Developments. ECL also has a non-competition agreement with Crombie REIT dated March 23, 2006, whereby it will not compete with Crombie REIT in the acquisition, ownership, investment in or development of any grocery-anchored shopping plazas in Canada. These agreements are for an initial 10-year term, subject to an extension reached by mutual agreement. The Empire group of companies will continue to work closely with Crombie REIT to identify development opportunities.

Through its executive management and other employees, Crombie REIT provides financial, operations and leasing services as well as general management, administration and support services to ECL. Pursuant to a management cost sharing Agreement dated March 23, 2006 between ECL and Crombie REIT, property management services are provided by Crombie REIT for certain of the properties held by ECL Developments. ECL provides an annual payment consisting of all direct and indirect costs incurred by Crombie REIT in providing services to ECL.

During fiscal 2010, ECL Developments remained focused on the expansion of its development pipeline through the identification of attractive commercial real estate locations to be successfully developed from an economic standpoint, for preferential sale to Crombie REIT or, in absence of their interest, to a third party. At fiscal year-end, ECL Developments had approximately 1.7 million square feet of GLA either under development or offered for sale, as compared to approximately 1.7 million square feet at the end of last fiscal year. At the end of the fiscal year, ECL Developments' property pipeline was comprised of 20 properties located in Nova Scotia, New Brunswick, Québec and Ontario. The properties are primarily retail plazas with approximately 75 percent of the GLA located outside of Atlantic Canada. More than 80 percent of the projects currently under development will be anchored by a Sobeys business. The properties are anticipated to be made available to Crombie REIT over the next one to four years.

Subsequent to fiscal year-end, all site selection and development work for the food retailing division was internalized within Sobeys itself.

Residential Operations

Genstar has land holdings held for residential development, primarily in Ontario and Western Canada. Genstar has an experienced management team that focuses on residential land development in selected markets. During fiscal 2010, Empire increased its ownership interest in Genstar Development Partnership to 40.7 percent from 35.7 percent. Empire continues to be represented on its Board by the CFO of Empire and the President of ECL.

Investments and Other Operations

At the end of fiscal 2010, the market value of investments, including investments at equity in Crombie REIT and Genstar U.S. investments, equalled $487.7 million, consisting primarily of a 47.4 percent equity interest in Crombie REIT, a 27.6 percent equity interest in Wajax and a $10.7 million investment in Crombie REIT convertible unsecured subordinated debentures. The unrealized gain on these investments totalled $420.0 million at the end of fiscal 2010.

Other operations consist primarily of wholly-owned Empire Theatres, the second largest movie exhibitor in Canada, which owned 380 screens in 51 locations as at May 1, 2010. Theatres' management is focused on identifying underserved and emerging markets in Canada which could be successfully developed on their own.

Growth

For the three-year period ended May 1, 2010, each of Empire's operating companies continued to expand their asset base and reinvest in existing assets needed to support future growth. During this period, the cumulative property and equipment purchases for Empire, on a consolidated basis, totaled $1.42 billion. Cumulative property and equipment purchases for Sobeys over the past three-year period of $1.2 billion were funded primarily through cash flow from operations and existing bank credit lines. Cumulative capital expenditures for the real estate division over the three-year period totalled $152.3 million and for investments and other operations totalled $58.1 million over this three-year period.

Empire's consolidated revenue in fiscal 2010 was $15.52 billion, an increase of $501.1 million or 3.3 percent compared to fiscal 2009. Substantially all of the Company's consolidated revenues were derived from arms-length customers.

Competition

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry through regionally managed operations. The most significant risk to Sobeys is the potential for reduced revenues and profit margins as a result of increased competition. To mitigate this risk, Sobeys' strategy is to be geographically diversified with the benefits of national scale and regional management deployment, to be customer and market-driven, to be focused on superior execution, and to have efficient, cost effective operations. Sobeys reduces its exposure to competitive or economic pressures in any one region of the country by operating in each region of Canada through a network of corporate, franchised, and affiliated stores, and through servicing the needs of thousands of independent, wholesale accounts. Sobeys approaches the market with five distinct store formats and a variety of store sizes and banners to meet anticipated needs of its customers in order to enhance profitability by region and by target market.

Empire's real estate operations, through ECL, compete with numerous other developers, managers, and owners of real estate properties in seeking tenants and new properties for future development. The existence of competing developers, managers and owners could affect the real estate group's ability to: (i) acquire a prospective property in compliance with the investment criteria; (ii) lease space in its properties; and (iii) maximize rents charged and minimize concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect revenues and cash flows.

Continued growth of rental income is dependent on renewing expiring leases and finding new tenants to fill vacancies at market rental rates, thereby ensuring an attractive return on investment. The success of the real estate portfolio is also subject to general economic conditions, the supply and demand for rental property in key markets served, and the availability of attractive financing to expand the real estate portfolio where deemed prudent. During fiscal 2010, real estate operations encountered challenging economic conditions. However, real estate operations maintained relatively stable occupancy levels and healthy rental renewal rates. During fiscal 2009, capitalization rates were negatively impacted by the general economic slowdown and tightening in the credit markets which impacted the number of potential properties that generate an attractive return on investment.

Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development. Genstar also faces competition when looking to acquire new land for future development.

Other Information

Supply Chain and Product Availability

Sobeys' retail store network is serviced through 24 retail support centres (distribution centres) located throughout the country. In addition, certain products are delivered directly to Sobeys' stores by various vendors through a direct delivery process.

In fiscal 2009, Sobeys partnered with a frozen and fresh third party logistics provider that is managing a consolidation operation for Sobeys' Western region. It is expected to be expanded to Québec, Atlantic, and Thrifty Foods in fiscal 2011. This same provider will be making available storage space to facilitate frozen imports that will begin shipping in the fall of 2010.

Sobeys continues to undertake specific initiatives designed to reduce distribution and logistics costs through improved productivity. On November 21, 2006, Sobeys announced plans to build a new distribution centre in Vaughan, Ontario. Utilizing automation technology, the new facility which opened in fiscal 2010 has significantly increased Sobeys' warehouse and distribution capacity while reducing overall distribution costs and improving service to its store network and customers.

In fiscal 2009, Thrifty Foods constructed a new facility in Surrey, British Columbia to handle the distribution of produce for the Thrifty Food stores. During the prior fiscal year, Thrifty Foods also completed a renovation of the Vancouver Island distribution centre.

Sobeys continues to focus on continuous improvement in its logistics function through system upgrades or improvements, voice technology and other logistics productivity software.

Sobeys has no material concerns with respect to product availability. Sobeys' inventories are maintained using a large number of national and regional suppliers.

Intangible Properties

Sobeys is not dependent upon any single trademark or trade name although some trademarks on corporate retail brands and store banner names are important to operations. Sobeys recognizes the importance of its corporate and brand trademarks and the need to protect and enhance their value. It is the practice of Sobeys to register or otherwise protect such intangible assets in all jurisdictions in which it operates.

ECL and its affiliates are not dependent on a single trademark or trade name for the continued success of their operations. The success of the commercial properties owned and managed by ECL and its affiliates is dependent on the quality of individual property management in ensuring that necessary property maintenance and common area services are delivered in a timely and quality manner.

Theatres operates under the Empire Theatres trademark, which has established itself as the second largest movie-exhibitor in Canada with a reputation for well-maintained, clean facilities with modern amenities. Management focuses its efforts on providing the movie-goer with a modern cinema experience in order to strengthen the Empire Theatres brand over time.

Seasonality

Sobeys' operations, as they relate to food, specifically inventory levels, sales volume and product mix are impacted to some degree by certain holiday periods in the year and during the summer months.

ECL is impacted to some degree by certain holiday periods in the year, however, business is not materially cyclical or seasonal.

Theatre operations are impacted to some degree by certain holiday periods and the release dates of movies by distributors; however, the business is not materially cyclical.

Employees

Substantially all of the employees of Empire are employed by the operating subsidiaries, with the majority employed by Sobeys. At fiscal year-end 2010, Empire and its operating subsidiaries employed approximately 49,000 full-time and part-time employees. Of these employees, 30 are full-time and part-time employees of Empire's head office, 15 are full-time and part-time employees of ECL, 2,300 are full-time and part-time employees of Theatres, and 46,750 are full-time and part-time employees of Sobeys. Sobeys and its franchise affiliates have a total of approximately 250 collective agreements covering approximately 25,470 employees. Empire and its subsidiaries, including franchise affiliates, employed approximately 90,000 full-time and part-time employees.

During fiscal 2010, Sobeys Québec concluded an eight year collective agreement at its Québec City distribution centre and at the Trois-Rivières distribution centre, a one year first agreement and a five year second agreement were negotiated and signed. Within the store network, collective agreements were concluded at one corporate store and 46 franchised stores. In Sobeys Ontario, a new three year collective agreement was concluded at the Milton distribution centre and in the store network, collective agreements were concluded at three corporate stores and twelve franchised stores. In Sobeys West, a new three-year agreement at the Thompson, Manitoba location was concluded.

During fiscal 2009, the collective bargaining agreement at Sobeys Québec's Montréal-North and Boucherville distribution centres was renewed for a seven-year period. Within the Sobeys Québec store network, two corporate stores and 42 franchise operations concluded their respective collective agreements with an average duration of 5.9 years. A new three-year collective agreement was concluded in the Sobeys store in Sydney, Nova Scotia. In Sobeys Ontario, there were nine collective agreements that expired in fiscal 2009 currently in various stages of negotiation at fiscal year-end. Four of these were Foodland franchises, four were Price Chopper franchises and one was a Price Chopper corporate store. In Sobeys West, a three-year collective agreement was concluded in the Burrows store.

During fiscal 2008, the Sobeys Atlantic region negotiated a new four-year agreement for the Sobeys distribution centre in Stellarton, Nova Scotia. The Ontario Region negotiated a three-year, nine month extension to the existing agreement at the distribution centre in Whitby, Ontario. The new expiry date is February 28, 2012. At the end of fiscal 2008, Sobeys West concluded a two-year agreement at the distribution centre in Edmonton, Alberta.

Empire, its subsidiaries and franchise affiliates have good relations with their unionized employees and the unions representing those employees, and strives to conclude acceptable collective agreements without work stoppages.

Bankruptcy

Neither Empire nor any of its subsidiaries have had any bankruptcy, receivership or similar proceedings taken against them nor have they undertaken any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed fiscal years, nor do they expect to undergo any such proceedings in the current fiscal year.

Food Safety

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to Sobeys' private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food crises, should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from inventory immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, Sobeys has food safety procedures and programs, which address safe food handling and preparation standards. Sobeys employs best practices for storage and distribution of food products.

Ethical Business Conduct

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact the Company's financial performance. Sobeys is committed to managing its activities in an ethical and socially responsible manner. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and employees are required to acknowledge and agree to on a regular basis and maintenance of a confidential whistle-blowing hotline. The ethics response line is intended for use by employees to report suspected unethical behavior within the Company.

Real Estate

Sobeys owns certain retail store locations and also leases stores from related parties and third-party landlords. At May 1, 2010, of the 28.1 million square feet of retail store space under operation, 14.2

percent was owned, 14.6 percent was leased from related parties and the balance was leased from third-party landlords.

Reorganization

Reference is made to “General Development of the Business – Significant Acquisitions and Dispositions” for information regarding the sale by Empire and certain subsidiaries of Empire to Crombie of 61 real estate properties on April 22, 2008.

Reference is made to “General Development of the Business – Significant Acquisitions and Dispositions” for information regarding the reorganization of Sobeys, by way of a court-approved plan of arrangement, and subsequent delisting of the common shares of Sobeys from the Toronto Stock Exchange.

Neither Empire nor any of its subsidiaries have undergone any other material reorganization within the three most recently completed fiscal years.

Risk and Risk Management

A detailed discussion of operating and financial risks relating to the Company is included in the Management’s Discussion and Analysis for the fiscal year ended May 1, 2010, which is incorporated by reference into this AIF, a copy of which has been filed on the SEDAR at www.sedar.com.

DIVIDENDS

The declaration and payment of dividends is at the discretion of the Board.

Empire is not aware of any restrictions that could prevent it from paying dividends.

Empire has no stated policy with respect to payment of dividends on either its Class B common shares or on its Non-Voting Class A shares. Empire has paid dividends on its outstanding shares during the periods indicated as set out below:

	Annual Dividend Rate		
	Fiscal 2010	**Fiscal 2009**	**Fiscal 2008**
Series 2 preferred shares	$0.44	$0.78	$1.13
Non-Voting Class A shares	$0.74	$0.70	$0.66
Class B common shares	$0.74	$0.70	$0.66

CAPITAL STRUCTURE

Share Capital

Empire's capital structure as at May 1, 2010 was as follows:

	Number of Shares Authorized	Number of Shares Issued & Outstanding	$ Millions
Preferred shares, par value of $25 each, issuable in series			
Series 2 cumulative, redeemable, rate of 75% of prime.	2,682,100	168,000	$4.2
2002 preferred shares, par value of $25 each, issuable in series.	992,000,000	-	-
Non-Voting Class A shares, without par value.	259,107,435	34,197,498	316.2
Class B common shares, without par value, voting.	40,800,000	34,260,763	7.6
			328.0
Employee share purchase plan			(2.9)
			$325.1

Total Non-Voting Class A and Class B common shares outstanding at May 1, 2010 equalled 68,458,261, consistent with the previous fiscal year ended May 2, 2009. There were 34,197,498 Non-Voting Class A and 34,260,763 Class B common shares outstanding at May 1, 2010.

On April 24, 2009, the Company closed a bought-deal public offering of Non-Voting Class A shares at a price of $49.75 per share. The underwriters elected to exercise their over-allotment option in full resulting in a total of 2,713,000 shares being issued for net proceeds of approximately $129.1 million. Substantially all of the net proceeds from the offering were used to reduce the Company's outstanding borrowings.

Non-Voting Class A Shares and Class B Common Shares

The rights of the Non-Voting Class A shares and Class B common shares are subject to the rights of the holders of the preferred shares of the Company which enjoy a preferential right to dividends and return of capital on liquidation. The preferred shares of the Company are non-voting except that they are entitled to certain voting rights and rights to appointment of directors when certain dividends are in-arrears. The following is a summary of the privileges and rights attaching to the Non-Voting Class A shares and Class B common shares of the Company:

1. The Non-Voting Class A shares and the Class B common shares rank equally, pari passu, share for share, with each other and entitle the respective holders thereof to the same rights and benefits except as otherwise provided in the conditions attaching thereto.

2. The directors may at any time and from time-to-time declare a dividend or confer any other benefit whatsoever upon the holders of the Non-Voting Class A shares without being obliged to declare an equal or any dividend or confer an equal or any other benefit upon the holders of the Class B Common shares provided that no dividend may be declared in respect of or any other benefit conferred upon the holders of the Class B common shares unless concurrently therewith the same dividend is declared in respect of and the same benefit is conferred upon the holders of the Non-Voting Class A shares.

3. The holders of the Non-Voting Class A shares may receive notice of and may attend any meeting of the Class B common shareholders of the Company but are not entitled to vote at the meeting.

4. The Class B common shares carry the right to one vote per share at all meetings of the Class B common shareholders of the Company.

5. Under certain circumstances, the Class B common shares may at any time be converted into Non-Voting Class A shares on a one for one basis. The circumstances, among other things, require the approval of the Board of Directors and require that Class B common shares which are to be converted be offered first to all the other holders of Class B common shares.

6. No subdivision or consolidation of the Class B common shares shall be made unless the same subdivision or consolidation of the Non-Voting Class A shares is made concurrently. No subdivision or consolidation of the Non-Voting Class A shares shall be made unless the same subdivision or consolidation of the Class B common shares is made concurrently.

If a formal take-over bid (other than a "Family Share Transaction" described below) is made for Class B common shares, then the conditions attaching to the Class B common shares and Non-Voting Class A shares generally provide that Canadian holders of Class B common shares shall also be entitled to receive an offer to purchase their Class B common shares and Canadian holders of Non-Voting Class A shares shall also be entitled to receive an offer to purchase their Non-Voting Class A shares on terms and conditions at least as favourable, including the price offered. If an offeror acquires Class B common shares pursuant to a formal take-over bid and does not make the same offer for Non-Voting Class A shares within 60 days, then the Class B common shares acquired pursuant to the offer as well as some other Class B common shares held by the offeror and any others acting jointly or in concert with the offeror, shall convert to Non-Voting Class A shares.

A "Family Share Transaction" means any transfer of any kind of an interest in Class B common shares to one or more of the descendants of J.W. Sobey, now deceased and formerly a businessman of Stellarton, Nova Scotia. For this purpose, descendants include spouses, companies controlled by any such descendants or their affiliates and trusts for bona fide estate planning purposes primarily for the benefit of any such descendants.

Preferred Shares

The preferred shares, par value of $25 each, are issuable in series, with each series consisting of such number of shares and having such provisions as may be determined by the directors of the Company prior to issue. The preferred shares rank in preference over Non-Voting Class A shares, Class B common shares and 2002 preferred shares in respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. The preferred shares of each series rank equally with the preferred shares of every other series in respect to the payment of dividends and in the distribution of assets. The Company may not create or issue any shares ranking in priority or on par with the preferred shares as to the payment of dividends or the distribution of assets without the approval of two thirds of the preferred shareholders.

The holders of the Series 2 preferred shares are entitled to receive a cumulative preferential cash dividend, as and when declared by the Directors, on the last day of January, April, July and October in each year in an amount per share determined as one-quarter of 75 percent of the average prime rate in effect on each day during the three calendar months ending immediately prior to the last day of the calendar month preceding the month in which the dividend payment is to be made multiplied by $25.00.

The Series 2 preferred shares may be redeemed at the option of the Company at a price per share equal to $26 per share prior to January 12, 1993 and thereafter at a price reducing by $0.05 per share per annum to $25 together with an amount equal to dividends accrued and unpaid to but not including the date fixed for redemption. In the event of liquidation, dissolution or winding-up, the Series 2 preferred shareholders are entitled to receive $25 per share plus an amount equal to any accrued and unpaid dividends, before any payment or distribution to the holders of the Non-Voting Class A shares, Class B common shares and 2002 preferred shares.

The shareholders of Series 2 preferred shares are not entitled to attend or to vote at any meeting of shareholders of the Company unless the Company has failed to pay eight consecutive quarterly dividends on the Series 2 preferred shares. So long as any dividends on such shares remain in-arrears, the holders of the shares are entitled to attend all meetings of shareholders, vote separately as a class together with the holders of any other series of preferred shares who have similar voting rights and to elect two directors of the Company. Each Series 2 preferred Share entitles the holder to one vote.

2002 Preferred Shares

The 2002 preferred shares are issuable in series, with each series consisting of such number of shares and having such provisions as may be determined by the directors of the Company prior to issue. The 2002 preferred shares rank in preference over Non-Voting Class A shares, Class B common shares are subordinate to the preferred shares in respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. The 2002 preferred shares of each series rank equally with the 2002 preferred shares of every other series in respect to the payment of dividends and in the distribution of assets. The Company may not create or issue any shares ranking in priority or on a parity to the 2002 preferred shares as to the payment of dividends or the distribution of assets without the approval of two thirds of the preferred shareholders.

Long-Term Debt

The Company has the following long-term debt outstanding:

($ in millions)	As at May 1, 2010	As at May 2, 2009
Long-term debt due within one year	$379.4	$133.0
Long-term debt	829.0	1,124.0
	$1,208.4	$1,257.0

During fiscal 2010 there were no material changes to the Company's long-term debt structure except for the repayment of long-term debt of $158.6 million largely through the application of free cash flow generated by Sobeys.

Subsequent to the end of fiscal 2010, on May 25, 2010, Sobeys filed a short form prospectus providing for the issuance of up to $500.0 million of unsecured Medium Term Notes ("MTNs"). On June 7, 2010, Sobeys issued new MTNs of $150.0 million at a rate of 6.64 percent, maturing on June 7, 2040.

Empire's non-consolidated credit facility of $650.0 million matured on June 8, 2010. Subsequent to fiscal year end, on June 4, 2010, Empire renewed its credit facility for an additional three-year term, to expire on June 30, 2013. The size of the facility was reduced to $450.0 million from $650.0 million reflecting both strong cash generation and lower debt levels.

During fiscal 2009, there were no material changes to the Company's long-term debt structure except for the repayment of long-term debt of $217.5 million through the application of net proceeds of $129.1 million from the Non-Voting Class A equity issue completed on April 24, 2009 and through the application of free cash flow generated by Sobeys to further reduce long-term indebtedness of the Company.

During fiscal 2008, in relation to the privatization of Sobeys, the Company entered into new credit facilities (the "Credit Facilities") consisting of a $950.0 million unsecured revolving term credit maturing June 8, 2010 (subject to annual one-year extensions at the request of the Company) and a $50.0 million unsecured non-revolving credit that matured on June 30, 2007. The unsecured non-revolving credit facility was repaid on June 30, 2007 with funds drawn from the unsecured revolving credit facility. The Credit Facilities are subject to certain financial covenants. Interest on the debt varies based on the designation of the loan (bankers' acceptances ("BA") rate loans, Canadian prime rate loans, U.S. base rate loans or London InterBank Offered Rate (“LIBOR”) loans), fluctuations in the underlying rates, and in the case of the BA rate loans or LIBOR loans, the margin applicable to the financial covenants. On June 18, 2007, the Company entered into two delayed fixed rate interest swaps. The first swap, in an amount of $200.0 million, is for a period of three years at a fixed interest rate of 4.998 percent. The second swap, in an amount of $200.0 million, is for a period of five years at a fixed interest rate of 5.051 percent. Both swaps became effective on July 23, 2007.

On July 23, 2007, Sobeys established a new unsecured revolving term credit facility maturing July 23, 2012. Under the terms of the credit agreement entered into between the Company and a banking syndicate, a revolving term credit facility of $300.0 million was established and increased by an additional $300.0 million, resulting in a current total authorized credit facility of $600.0 million. At May 1, 2010, $200.0 million of this facility had been drawn down and classified as long-term debt. Sobeys also assumed a $200.0 million interest rate swap for five years at 5.051 percent from Empire on the drawdown date. Interest payable on this facility fluctuates with changes in the bankers’ acceptance rate, Canadian prime rate or LIBOR. The Company had also issued $36.8 million in letters of credit against the facility at May 1, 2010.

On November 8, 2007, the Company established a revolving credit facility of $75.0 million that is currently unutilized. The maturity date is November 8, 2010. The interest rate was floating and fluctuated with changes in the bankers’ acceptance rate, Canadian prime rate or LIBOR. On June 12, 2009 the Company repaid, although did not cancel, this facility.

Sobeys’ debentures and MTNs, and ECL’s long-term debt are not listed or quoted in a market place.

Credit Ratings (Canadian Standards)

Sobeys’ credit ratings for its securities at fiscal year-end May 1, 2010, are as follows:

	Dominion Bond Rating Service (“DBRS”)	**Standard & Poor’s (“S&P”)**
MTNs	BBB (stable trend)	BBB- (stable trend)
Sinking Fund Debentures	BBB (stable trend)	BBB- (stable trend)

On September 14, 2009, DBRS upgraded its credit rating on Sobeys from BBB (low) with a positive trend to BBB with a stable trend. On January 12, 2010, S&P upgraded its credit rating on Sobeys from BB+ with a positive trend to BBB- with a stable trend. There have been no changes to the ratings subsequent to year end to July 23, 2010, the date of this document.

The credit ratings accorded to the debt by the rating agencies are not a recommendation to purchase, hold or sell the debt, in as much as such ratings do not comment as to market price or suitability for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The Company provides the rating agencies with confidential, in-depth information in support of the rating process.

DBRS’ credit ratings for long-term debt instruments range from AAA to D. DBRS’ BBB rating exhibits adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its related securities. Ratings designations may be modified by the addition of a high or low to indicate relative standing within the BBB category. A low designation indicates the debt’s relative standing within the BBB category. Each DBRS rating category is appended with one of three rating trends: “Positive”, “Stable” or “Negative”.

The rating trend helps to give the investor an understanding of DBRS' opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

S&P's credit ratings for long-term debt instruments range from AAA to D. S&P's BBB- rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of a company to meet its financial commitment on the obligation. Ratings designations may be modified by the addition of a plus or minus to indicate relative standing within the BBB category. A plus or minus designation indicates the debt's relative standing within the BBB category. S&P's rating outlook assesses the potential direction that a rating may be headed over the immediate to longer-term, with outlooks falling into one of five categories: positive, negative, stable, developing or not meaningful. A stable outlook indicates steady credit metrics are expected; however, a rating may be raised or lowered in the immediate to long term.

The credit ratings on the MTNs and Debentures may not reflect the potential impact of all risks related to structure and other factors on the value of the MTNs and Debentures. In addition, real or anticipated changes in the Company's credit ratings will generally affect the market value of the debt. The foregoing ratings may be revised or withdrawn at any time by the rating agency if, in its judgment, circumstances warrant.

MARKET FOR SECURITIES

The Non-Voting Class A shares (symbol EMP.A) are listed on the Toronto Stock Exchange. The monthly closing high and low share price and the monthly average volume for the Non-Voting Class A shares for the fiscal year ended May 1, 2010 are as follows:

Empire Company Limited Non-Voting Class A shares			
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by month (in shares)
May 3-30/09	$ 49.52	$ 45.37	102,195
June-09	47.94	42.01	86,127
July-09	44.00	40.77	120,927
August-09	43.02	39.33	92,015
September-09	44.29	41.17	121,967
October-09	43.85	41.90	71,976
November-09	46.26	42.27	61,257
December-09	47.81	43.42	59,862
January-10	49.09	46.11	68,600
February-10	49.99	47.76	48,463
March-10	53.34	48.43	69,161
April-10	54.00	51.25	76,400

The Series 2 preferred shares (EMP.PR.B) are listed on the Toronto Stock Exchange. The monthly closing high and low share price and the monthly average volume for the Series 2 preferred shares for the fiscal year ended May 1, 2010 are as follows:

Empire Company Limited Series 2 Preferred shares			
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by month (in shares)
May 3-30/09	$ 21.50	$ 21.49	63
June-09	Not Traded		
July-09	24.00	21.51	77
August-09	22.00	22.00	5
September-09	22.00	20.00	52
October-09	21.50	21.25	10
November-09	21.00	19.60	118
December-09	20.00	19.26	33
January-10	20.75	19.75	20
February-10	20.50	20.25	74
March-10	21.95	19.75	139
April-10	21.75	20.25	162

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated, three-year financial information relating to the Company is included in Empire's Management's Discussion and Analysis for the fiscal year ended May 1, 2010, which is incorporated into this AIF by reference to pages 25 to 68 of the Empire Company Limited 2010 Annual Report.

In addition, the following table provides summary financial information for Empire over the last three fiscal years.

	Fiscal Year Ended		
(in millions, except per share information)	**May 1, 2010 (52 weeks)**	May 2, 2009 (52 weeks)	May 3, 2008 (52 weeks)
Revenue	**$15,516.2**	$15,015.1	$14,065.0
Operating income	**479.7**	466.2	472.6
Operating earnings	**284.5**	261.7	242.8
Capital gains (losses) and other items, net of tax	**17.4**	3.0	73.0
Net earnings	**$301.9**	$264.7	$315.8
Long-term debt, excluding current portion	**$829.0**	$1,124.0	$1,414.1
Shareholders' equity	**2,952.4**	2,678.8	2,382.3
Total assets	**6,248.3**	5,891.1	5,732.9
Per Share Information, fully diluted			
Operating earnings	**$4.15**	$3.97	$3.69
Capital gains (losses) and other items, net of tax	**0.25**	0.05	1.11
Net earnings	**$4.40**	$4.02	$4.80

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Reference is made to the Company's Management's Discussion and Analysis for the fiscal year ended May 1, 2010, which is incorporated into this AIF by reference to pages 25 to 68 of the Empire Company Limited 2010 Annual Report.

DIRECTORS AND OFFICERS

The name, province of residence, and principal occupation of each of the directors and officers of Empire as at May 1, 2010 were as follows:

Directors

Name and Province of Residence	Office	Principal Occupation	Director Since
JOHN L. BRAGG (3)(6)(8) Nova Scotia, Canada	Director	Chairman, President and Co-CEO, Oxford Frozen Foods Limited (food processing) and Chairman of Bragg Communications Incorporated (which operates under the brand name of Eastlink)	1999
MARCEL CÔTÉ (3)(5)(7) Québec, Canada	Director	Senior Partner, Secor Inc. (Consulting firm)	2007
CHRISTINE CROSS (3)(9) Hertfordshire, United Kingdom	Director	Managing Director, Christine Cross Ltd. (Consulting firm)	2007
ROBERT P. DEXTER Nova Scotia, Canada	Chair	Chair and CEO, Maritime Travel Inc. (Travel agency)	1987
DAVID S. FERGUSON (3)(9) Georgia, United States	Director	Principal, D.S. Ferguson Enterprises, LLC. (Consulting firm)	2007
ED HARSANT (1)(5)(7) Ontario, Canada	Director	President of Stonehedge Partners	2003
DAVID A. LESLIE (1)(9) Ontario, Canada	Director	Corporate Director	2007
BILL McEWAN Nova Scotia, Canada	Director	President & CEO, Sobeys Inc.	2007
MALEN NG (2)(9) Ontario, Canada	Director	Corporate Director	2007
MEL RHINELANDER (4)(5)(7) Ontario, Canada	Director	Chairman, Extendicare REIT and Vice Chairman Assisted Living Concepts Inc. (Long-term care facility)	2007
STEPHEN J. SAVIDANT(1)(5)(7) Alberta, Canada	Director	Chairman of ProspEx Resources Ltd.	2004
DAVID F. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Sobeys Inc.	1963
DONALD R. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Empire Company Limited	1963
FRANK C. SOBEY (10) Nova Scotia, Canada	Director	Vice President, Real Estate, Empire Company Limited	2007
JOHN R. SOBEY (1) Nova Scotia, Canada	Director	Corporate Director	1979
KARL R. SOBEY (5) Nova Scotia, Canada	Director	Corporate Director	2001
PAUL D. SOBEY Nova Scotia, Canada	Director, President and CEO	President & CEO, Empire Company Limited	1993
ROB G. C. SOBEY(9) Nova Scotia, Canada	Director	President & CEO, Lawton's Drug Stores Limited	1998

(1) Audit Committee Member
(2) Audit Committee Chair
(3) Human Resources Committee Member
(4) Human Resources Committee Chair
(5) Corporate Governance Committee Member
(6) Corporate Governance Committee Chair
(7) Nominating Committee Member
(8) Nominating Committee Chair
(9) Oversight Committee Member
(10) Oversight Committee Chair

The term of office for each person elected or appointed a director is until the next annual meeting of shareholders of Empire or until his or her successor is elected.

Executive Officers Who are Not Directors

Name and Province of Residence	Occupation
PAUL V. BEESLEY Nova Scotia, Canada	Executive Vice President & CFO
STEWART H. MAHONEY Nova Scotia, Canada	Vice President, Treasury & Investor Relations
KARIN McCASKILL Ontario, Canada	Secretary
FRANÇOIS VIMARD Ontario, Canada	CFO, Sobeys
DAVID JEFFS Ontario, Canada	President Operations, Sobeys Ontario
SYLVAIN PRUD'HOMME(1) Alberta, Canada	President Operations, Sobeys West
MARC POULIN Québec, Canada	President Operations, Sobeys Québec
JASON POTTER Nova Scotia, Canada	President Operations, Sobeys Atlantic

(1) J. Gary Kerr retired as of June 15, 2009. Sylvain Prud'homme replaced Mr. Kerr as President Operations, Sobeys West, effective that date. Mr. Prud'homme's employment terminated on June 30, 2010.

During the past five years, each of the above-mentioned directors and officers has been engaged in the principal occupation or held the position with the company or firm indicated opposite their name other than:

- Paul V. Beesley, who prior to June 2006 was Senior Vice President, CFO and Secretary;
- David Jeffs, who joined Sobeys in his current position in January 2009 and who prior to January 2007 was Executive Vice President, Chief Retail Officer of Loblaw Companies Limited and prior to June 2006 was the President Westfair Foods, Western Region of Loblaw Companies Limited;
- Karin McCaskill, who prior to September 2007 was, and is currently Senior Vice President, General Counsel and Secretary of Sobeys;

- Jason Potter, who prior to June 2006 was Senior Vice President Merchandising Sobeys West;

- Sylvain Prud'homme, who joined Sobeys in June 2009 and who prior to April 2009 was Senior Vice President, Merchandising of Wal-Mart Canada Corp. and prior to Feburary 2008 was Senior Vice President, Operations of Wal-Mart Canada Corp and prior to March 2006 was Regional Vice President, East of Canada of Wal-Mart Canada Corp.

- Stephen J. Savidant, who prior to May 2006 was President and CEO of Esprit Energy Trust;

- Rob G.C. Sobey, who prior to February 2006 was Senior Vice President, Merchandising and Marketing of Sobeys Atlantic; and

- François Vimard, who prior to July 2007 was Executive Vice President, Supply Chain & Technology of Sobeys.

As of May 1, 2010, the number of Class B common shares of Empire beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of Empire as a group is 22,742,334 or approximately 66.4 percent of those issued and outstanding.

Other Proceedings

No director or executive officer is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including a personal holding company), that:

a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) 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 (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) 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.

No director, executive officer, shareholder holding a sufficient number of securities of Empire to affect materially the control of Empire, or a personal holding company thereof,

a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company) 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, other than David Leslie who was a director of Canwest Global Communications Corp. up to January 14, 2009. On October 6, 2009 Canwest Global Communications Corp. sought and obtained an order commencing proceedings under *Companies' Creditors Arrangement Act* (Canada);

b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or

(c) has been subject to:

(i) 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

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflict of Interest

No director or officer of the Company has any existing or potential material conflicts of interest with the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar is CIBC Mellon Trust Company with offices located in Halifax, Nova Scotia and Toronto, Ontario, and can be contacted by phone at 1-800-387-0825 or by e-mail at inquiries@cibcmellon.com.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Audit Committee Mandate as approved by the Company's Board is included in Appendix B.

The Audit Committee Mandate contains specific policies and procedures for the engagement of non-audit services.

Audit Committee Composition

The members of the Audit Committee, at the fiscal year ended May 1, 2010, and their relevant education and experience are:

1. Malen Ng (Audit Committee Chair).
    - Masters of Business Administration.
    - Formerly CFO, Workplace Safety and Insurance Board of Ontario. Prior to that, she was President and CEO, Hydro One Networks Inc. Prior to that, she was Executive Vice President of Wires Operations and Executive Vice President & Chief Financial Officer of Hydro One Inc., and prior to that was Vice President of Corporate Finance with Ontario Hydro.
    - Currently a director of Sobeys Inc., Assisted Living Concepts Inc. and the Sunnybrook Health Sciences Centre.

2. Edward C. Harsant
    - President, Stonehedge Partners.
    - Formerly President, North American stores for Staples, Inc. Prior to that, he was President, The Business Depot Ltd.

- Currently Chair of the Advisory Board Lawton's Drug Stores Limited and a director of Sobeys Inc.
- Former Chair of the Retail Council of Canada and former director of the Canadian Special Olympics.

3. David Leslie
    - Fellow of the Institute of Chartered Accountants of Ontario.
    - Formerly Chairman and CEO of Ernst & Young LLP.
    - Currently a director of Sobeys Inc., Enbridge Inc., Enbridge Gas Distribution Inc., Imris Inc., a trustee of Crombie REIT and Chair of Sunnybrook Health Sciences Centre.

4. Stephen Savidant
    - Masters of Business Administration; Bachelor of Mechanical Engineering.
    - Previously President and CEO and member of the Board of Trustees of Esprit Energy Trust. Prior to that, he was President and CEO and member of the Board of Directors of Canadian Hunter Exploration Ltd.
    - Currently Chairman of ProspEx Resources Ltd, a director of Sobeys Inc. and Toromont Industries Limited.

5. John R. Sobey
    - Past President and Chief Operating Officer of Sobeys Inc.
    - 34 years of retail grocery experience at Sobeys – began his career in the retail stores and progressed in various management roles in merchandising, category management and retail store operations.
    - Currently a director of Sobeys Inc. and Medavie Inc.

All members of the Audit Committee are considered to be financially literate and independent.

Pre-Approval Policies and Procedures

Reference is made to Appendix B – Section six for a description of the specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (by Category)

Grant Thornton LLP and its predecessors have served as auditor of Empire for more than 50 years. During fiscal 2010 and fiscal 2009, fees charged by Grant Thornton LLP to the Company and its subsidiaries were as follows:

Auditor Fees for Empire Company Limited and its Subsidiaries		
	Fiscal Year ended	
	May 1, 2010	May 2, 2009
Audit	$2,310,867	$2,611,098
Audit Related	829,060	1,265,347
Tax	285,905	599,646
Other	46,295	168,698
Total Fees	$3,472,127	$4,644,789

Audit fees include fees for the audit of the annual consolidated financial statements, audits of other required financial statements, French translation, and reviews of quarterly interim financial statements.

Audit related fees are for services including consultations on accounting and disclosure matters including International Financial Reporting Standards, internal control certification, assistance with CEO/CFO certification and review of the consolidation software package.

Tax fees include tax planning and project based assignments related to regulatory compliance.

Other fees for the year ended May 1, 2010 included Canadian Public Accountability Board fees, while other fees for the year ended May 2, 2009 related to the equity issuance of Non-Voting Class A shares of Empire in April of 2009.

The Audit Committee has considered whether the nature and extent of these non-audit services is compatible with maintaining the independence of the external auditor and has concluded that the independence of Grant Thornton LLP is not compromised by the non-audit services provided. In addition, the Audit Committee's mandate requires that the Committee pre-approve the nature and extent of all non-audit engagements with the external auditor.

MATERIAL CONTRACTS

The Company has not entered into any contract, other than in the ordinary course of business, that is material to the Company and that was either entered into since January 1, 2002, and is still in effect or was entered into within the most recently completed fiscal year other than the Underwriting Agreement (as described under the heading "General Development of the Business – Corporate").

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during fiscal 2010, a party or subject to any legal proceedings or group of similar proceedings, nor are any such proceedings known to the Company to be contemplated, where the amount involved, exclusive of interest and costs, exceeds 10 percent of the current assets of the Company.

There were no penalties or sanctions imposed against the Company by, and no settlement agreements entered into by the Company with, a court relating to securities legislation or a securities regulatory authority during fiscal 2010.

INTEREST OF EXPERTS

The Company's auditor is Grant Thornton LLP, 610 East River Road, New Glasgow, Nova Scotia. The Company's consolidated financial statements as at the year ended May 1, 2010 have been filed under National Instrument 51-102 in reliance on the report of Grant Thornton LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Grant Thornton has advised us that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

ADDITIONAL INFORMATION

Empire shall provide any person or company, upon request to the Secretary of the Company:

a) when the securities of Empire are in the course of a distribution pursuant to a short-form prospectus or a preliminary short-form prospectus or a short-form prospectus has been filed in respect of a proposed distribution of its securities,

(i) one copy of Empire's latest AIF, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

(ii) one copy of the comparative financial statements of Empire for its most recently completed financial year together with the auditors' report thereon and one copy of any interim financial statements issued by Empire subsequent to such annual audited financial statements;

(iii) one copy of the Information Circular of Empire in respect of its most recent annual general meeting of shareholders which involved the election of directors; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

b) at any other time, one copy of any other documents referred to in (a) (i), (ii) and (iii) above, provided that Empire may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of Empire.

Additional information with respect to directors' and officers' remuneration and indebtedness, principal holders of Empire's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Empire's Management Information Circular dated July 23, 2010, and issued in connection with its Annual General Meeting of Shareholders to be held on September 10, 2010. Additional financial information is provided in the Company's comparative financial statements for its last fiscal year ended May 1, 2010. A copy of such documents may be obtained by request from the investor Relations Department of Empire, via the Empire website at: www.empireco.ca, or on the SEDAR at www.sedar.com.

APPENDIX A – SOBEYS' GEOGRAPHIC AND BANNER PROFILE

All information is as of May 1, 2010

FULL, FRESH & COMMUNITY SERVICE SUPERMARKETS

Geographic Area	*Sobeys*	*IGA*	*IGA extra*	*Foodland*	*Bonichoix*	*Le Marchés Tradition*	*Thrifty Foods*
Newfoundland and Labrador	14	-	-	21	-	-	
Prince Edward Island	5	-	-	-	-	-	-
Nova Scotia	40	-	-	13	-	-	-
New Brunswick	22	-	1	6	3	-	-
Quebec	-	164	97	-	89	31	-
Ontario	98	3	-	157	-	-	-
Manitoba	16	9	-	-	-	-	-
Saskatchewan	12	3	-	-	-	-	-
Alberta	71	36	-	-	-	-	-
British Columbia	3	2	-	-	-	-	23
Northwest Territories	-	-	-	-	-	-	-
TOTAL	**281**	**217**	**98**	**197**	**92**	**31**	**23**

DRUG, DISCOUNT AND CONVENIENCE STORES

Geographic Area	*Cash & Carry*	*Rachelle -Béry*	*Price Chopper*	*Needs*	*Lawtons*	*Sobeys Fast Fuel*	*Sobeys Spirits, Wine & Cold Beer*
Newfoundland and Labrador	2	-	8	41	22	1	-
Prince Edward Island	0	-	2	9	5	-	-
Nova Scotia	3	-	7	70	41	6	-
New Brunswick	1	-	5	20	10	3	-
Quebec	-	19	-	-	-	-	-
Ontario	-	-	87	-	-	-	-
Manitoba	3	-	1	-	-	-	-
Saskatchewan	-	-	-	-	-	-	-
Alberta	-	-	-	-	-	-	29
British Columbia	-	-	-	-	-	-	-
Northwest Territories	-	-	-	-	-	-	-
TOTAL	**9**	**19**	**110**	**140**	**78**	**10**	**29**

APPENDIX A – continued

DISTRIBUTION CENTRES

Geographic Area	*Distribution Centres*
Newfoundland and Labrador	3
Prince Edward Island	-
Nova Scotia	4
New Brunswick	1
Quebec	7
Ontario	4
Manitoba	1
Saskatchewan	-
Alberta	2
British Columbia	2
Northwest Territories	-
TOTAL	**24**

CORPORATE AND FRANCHISED STORES – BY GEOGRAPHIC AREA

Geographic Area	*Corporate Stores*		*Franchised Stores*	
	Number	*Square Footage*	*Number*	*Square Footage*
Atlantic	341	4,757,049	40	359,263
Quebec	34	698,390	366	8,590,185
Ontario	144	4,611,916	201	3,946,135
West	91	2,199,471	94	2,247,207
British Columbia	23	668,228	-	-
TOTAL	**633**	**12,935,054**	**701**	**15,142,790**

CORPORATE AND FRANCHISED STORES – BY BANNER

	Sobeys	*IGA*	*IGA extra*	*Foodland*	*Bonichoix*	*Le Marchés Tradition*	*Cash & Carry*
Corporate	213	6	12	29	-	-	9
Franchise	68	211	86	168	92	31	-
TOTAL	**281**	**217**	**98**	**197**	**92**	**31**	**9**

	Price Chopper	*Needs*	*Lawtons*	*Sobeys Fast Fuel*	*Sobeys Spirits, Wine & Cold Beer*	*Rachelle-Béry*	*Thrifty Foods*
Corporate	69	140	74	10	29	19	23
Franchise	41	-	4	-	-	-	-
TOTAL	**110**	**140**	**78**	**10**	**29**	**19**	**23**

EMPIRE COMPANY LIMITED

AUDIT COMMITTEE MANDATE

The Audit Committee (the “Committee”) is responsible to the Board of Directors (the “Board”) for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information and compliance with policies and laws. The Committee is also responsible for identifying principle risks of the business and ensuring appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- Ensure internal controls are appropriately designed, implemented and monitored including reviewing and discussing any significant deficiencies in the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting
- Ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation.

COMPOSITION

The Committee shall be composed of three or more independent Directors, appointed by the Board on the recommendation of the Corporate Governance Committee, in accordance with the independence standards established by the Board of Directors, and all applicable corporate and securities law.

All members of the Committee shall be financially literate as defined by applicable legislation. Financially literate shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s’ financial statements.

A member of the Board of Directors who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within three months following his or her appointment, subject to the Company’s Board of Directors determining that this appointment will not materially adversely affect the ability of the Committee to act independently and to satisfy the other requirements of this mandate.

If a Committee member ceases to be independent for reasons outside the member’s reasonable control, the member shall tender their resignation to the Chair of the Corporate Governance Committee, within three months of the occurrence of the event which caused the member to not be independent.

The members of the Committee are appointed or reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until their successor is appointed, unless they resign or are removed by the Board, or cease to be a Director of the Company. The Board, upon recommendation of the Corporate Governance Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

The Board shall appoint a Chair from among the members of the Committee to preside at its meetings. The Chair must be independent. If the Chair of the Committee loses their independent status, that person shall cease to be Chair immediately and be replaced as Chair by an existing member of the Committee with the Nominating Committee being asked to replace this member within three months. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Committee to preside at the meeting.

AUTHORITY

The Committee has the authority to:

- Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
- At the Company's expense, as determined by the Committee, engage independent legal, accounting or financial advisors and such other advisors as it deems necessary to advise the Committee or assist in carrying out its duties or to assist in the conduct of an investigation;
- Communicate and meet without Management involvement, the internal auditors, external auditors or outside counsel as necessary; and
- Call a meeting of the Board to consider any matter of concern to the Committee. The Committee shall have direct access to all books, records, facilities and personnel of the Company including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as requested by Committee members.

MEETINGS

The Audit Committee shall meet quarterly or more frequently as circumstances dictate.

Meetings of the Committee may be called by:

- The Chair;
- Any member of the Audit Committee;
- Management; or
- The external auditors.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. a quorum shall be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other;

2. notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of that meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Committee without the presence of Management at each meeting. The Committee will meet in camera with the external auditors at each meeting.

There shall be an in-camera session at each quarterly scheduled Committee meeting without management, with in-camera sessions at other Committee meetings as required by any member of the Committee. The Secretary of the Company shall act as Secretary of the Committee and minutes of the Committee shall be recorded and maintained by the Secretary.

All Committee members are expected to attend each meeting. The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board of Directors meeting.

RESPONSIBILITIES

Administration:

1. The Committee annually reviews its mandate and recommends any changes to the Corporate Governance Committee.
2. The Committee annually completes a self assessment survey and reviews the Committee's financial literacy and independence.

External Auditor:

3. As required by the Board, the external auditor reports directly to the Committee.
4. The Committee must recommend to the Board of Directors:
    a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for Empire; and
    b) the compensation of the external auditor.
5. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for Empire, including the resolution of disagreements between management and the external auditor regarding financial reporting.
6. The Committee must pre-approve all non-audit services to be provided to Empire or its subsidiary entities by Empire's external auditor. The Committee has established a policy for certain pre-approvals and has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Committee meeting following such pre-approval.

    Without limiting the foregoing, de minimis non-audit services may be performed by Empire's external auditor without prior approval of the Committee if:

    a) the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than $50,000 of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;
    b) Empire or subsidiaries of Empire, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
    c) the services are promptly brought to the attention of the Audit Committee of Empire and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

    The Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.
7. The Committee reviews with the external auditors and management all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting. The Committee shall also review any significant changes to GAAP or its application.

8. The Committee must review and approve Empire's hiring policies regarding partners, employees

and former partners and employees of the present and former external auditor of Empire.

9. The Committee ensures through enquiry that the external auditor is in good standing with the Canadian Public Accountability Board (CPAB) and that the lead partner and other partners fulfill the rotation requirements. The Committee also reviews that the relationship with the external auditor and Empire Management is independent with consideration to the requirements set out by the Canadian Securities Administrators and the CICA.

10. The Committee receives from the external auditor an outline of the annual audit scope, plan, resources, reliance on management and progress reports against that plan.

11. The Committee reviews the Auditor Report with the external auditors:

    a) significant findings during the year and management's response thereto;
    b) any difficulties encountered in the course of their audits, including any restrictions to the scope of their work or access to required information; and
    c) any changes required to the planned scope of their audit or quarterly reviews.

Risk Management:

12. The Committee annually reviews the adequacy and quality of the insurance coverage maintained by the Company.

13. The Committee reviews the principal risks of the business and ensures appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from management regarding the degree of integrity of the risk mitigation strategies and accepted thresholds. The Committee shall review risk management policies as recommended by management.

14. The Committee reviews the Environmental Report, the Litigation Report and the Hedge Report, and reviews their appropriateness.

15. The Committee reviews the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and receives reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Company's contingent liabilities and risks.

Financial Management and Reporting:

16. The Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, MD&A and quarterly financial and material press releases prior to public disclosure of this information.

17. The Committee reviews the financially related disclosures contained in the Annual Report, Annual Information Form and Information Circular.

18. The Committee ensures that adequate disclosure procedures are in place for the review of Empire's public disclosure of financial information extracted or derived from Empire's financial statements, and must periodically assess the adequacy of those disclosure procedures.

19. The Committee reviews the disclosure controls and procedures and internal controls on financial reporting, including any significant deficiencies or material non-compliance with such controls and procedures.

20. The Committee reviews the Corporate Disclosure Policy and the Disclosure Committee Mandate and reviews the minutes of the quarterly Disclosure Committee meetings.

21. The Committee must establish procedures for:

    a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and

    b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.

22. The Committee reviews the status and adequacy of Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible way, and recommends to the Board, for approval, policy changes and program initiatives considered advisable.