

**ANNUAL GENERAL MEETING**

Thursday, May 19, 2011  
11:30 a.m. at Varscona Hotel on Whyte  
8208-106 Street  
Edmonton, Alberta



**LIQUOR STORES N.A. LTD.**

**Notice of Annual General Meeting of Shareholders  
and Information Circular**



**LIQUOR STORES N.A. LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO: THE SHAREHOLDERS OF LIQUOR STORES N.A. LTD.**

TAKE NOTICE that an Annual General Meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares of Liquor Stores N.A. Ltd. (the "**Corporation**") will be held in the Rutherford 2 Room of Varscona Hotel on Whyte, 8208 – 106<sup>th</sup> Street, Edmonton, Alberta, on Thursday, May 19, 2011, at 11:30 a.m. (Edmonton time) for the following purposes:

- (1) to receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2010, and the auditors' report thereon;
- (2) to fix the number of directors to be elected at the Meeting at eight (8);
- (3) to elect directors of the Corporation for the ensuing year;
- (4) to appoint the auditors of the Corporation and to authorize the directors to fix their remuneration as such; and
- (5) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying and forming part of this Notice.

**Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with Valiant Trust Company, located at 600 – 750 Cambie Street, Vancouver, British Columbia, V6B 0A2. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

The record date for the Meeting is the close of business on April 15, 2011 (the "**Record Date**"). Shareholders of record as at the Record Date are to vote those shares included in the list of Shareholders entitled to receive notice of the Meeting prepared as at the Record Date. No Shareholder who becomes a Shareholder after the Record Date shall be entitled to vote at the Meeting.

DATED this 8<sup>th</sup> day of April, 2011.

BY ORDER OF THE BOARD DIRECTORS  
OF LIQUOR STORES N.A. LTD.

(Signed) "*Craig D. Corbett*"  
Corporate Secretary



## LIQUOR STORES N.A. LTD.

### INFORMATION CIRCULAR

(Containing information as at April 8, 2011 unless indicated otherwise)

#### PROXY SOLICITATION AND VOTING MATTERS

##### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the directors (the "**Directors**") of Liquor Stores N.A. Ltd. (the "**Corporation**") for use at the annual general meeting (the "**Meeting**") of holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held in the Rutherford 2 Room of the Varscona Hotel, 8208 – 106<sup>th</sup> Street, Edmonton, Alberta, at 11:30 a.m. (Edmonton time) on Thursday, May 19, 2011, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the Directors, officers and regular employees of the Corporation, who will not be specifically remunerated therefore. All costs of solicitation of proxies by or on behalf of the Directors will be borne by the Corporation.

##### Appointment of Proxies

**The persons named in the accompanying form of proxy are Directors and/or officers of the Corporation. A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent that Shareholder at the Meeting has the right to do so, either by inserting the desired person's name in the blank space provided in the form of proxy or by completing another proper form of proxy.**

A form of proxy must be in writing and signed by the Shareholder or by the Shareholder's attorney duly authorized in writing or, if the Shareholder is a body corporate or association, under its seal or by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing. If the form of proxy is executed by an attorney, evidence of the attorney's authority must accompany the form of proxy. A proxy will not be valid unless the completed proxy is received by Valiant Trust Company, located at 600-750 Cambie Street, Vancouver, British Columbia, V6B 0A2, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the commencement of the Meeting, or any adjournment thereof.

##### Revocation of Proxies

A Shareholder who has given a form of proxy may revoke it by an instrument in writing that is signed and delivered to: (i) the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the form of proxy is to be used; (ii) to the chairman of the Meeting on the day of the Meeting or an adjournment thereof; or (iii) in any other manner permitted by law. A revocation of a form of proxy does not affect any matter on which a vote has been taken prior to the revocation.

##### Voting of Proxies

The Director representatives designated in the enclosed form of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. Where no choice is specified in the form of proxy, such Common Shares will be voted "for" the matters described therein and in this Information Circular.

The enclosed form of proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the Director representatives designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters

or business. At the time of the printing of this Information Circular, the Directors know of no such amendment, variation or other matter that may be presented to the Meeting.

## INFORMATION FOR BENEFICIAL SHAREHOLDERS

These meeting materials are being sent to both registered and non-registered Shareholders. If you are a non-registered Shareholder and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary/broker holding on your behalf.

The information set forth in this section is important to all Shareholders of the Corporation. Shareholders who do not hold their Common Shares in their own name are referred to in this Information Circular as "**Beneficial Shareholders**". Beneficial Shareholders should note that only a Shareholder whose name appears on the records of the Corporation as a registered holder of Common Shares or a person they appoint as a proxy can be recognized and vote at the Meeting. A significant majority of the issued and outstanding Common Shares are in a book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Consequently, such Common Shares are currently registered under the name of CDS & Co. (the registration name for CDS). CDS also acts as nominee for brokerage firms through which Beneficial Holders hold their Common Shares. Common Shares held by CDS can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder.

Applicable regulatory policy requires intermediaries/brokers to whom meeting materials have been sent to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Shareholders and asks for appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions with respect to the Common Shares held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Common Shares at the Meeting.

In addition, the Corporation has sent meeting materials directly to certain Beneficial Shareholders. By choosing to send these materials to you directly, the Corporation (and not the intermediary/broker holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your instructions as specified in the request for voting instructions.

**Beneficial Shareholders cannot be recognized at the Meeting for purposes of voting their Common Shares in person or by way of depositing a form of proxy. If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact your intermediary/broker well in advance of the Meeting to determine how you can do so.**

Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Common Shares voted at the Meeting.

## INFORMATION CONCERNING LIQUOR STORES N.A. LTD.

Pursuant to a plan of arrangement under the *Canada Business Corporations Act* involving, among others, Liquor Stores Income Fund (the "**Fund**"), the Corporation and the securityholders of the Fund and Liquor Stores Limited Partnership (the "**Limited Partnership**"), effective December 31, 2010 holders ("**Fund Unitholders**") of trust units ("**Trust Units**") of the Fund and holders ("**LP Unitholders**") of exchangeable limited partner units and Series 1 exchangeable LP units (collectively, "**LP Units**") of the Limited Partnership received Common Shares in exchange for their Trust Units and LP Units on a one-for-one basis, resulting in the Fund Unitholders and LP Unitholders becoming the Shareholders of the Corporation and the Fund becoming a wholly-owned subsidiary of the Corporation (the "**Reorganization**"). The Corporation and its subsidiaries now carry on the business formerly carried on by the Fund and its subsidiaries, and the Board of Directors and senior management of the Corporation are comprised of the members of the Board of Directors and senior management of the administrator of the Fund. Unless the context otherwise requires, information herein in respect of the Corporation for periods prior to completion of the Reorganization refer to the Fund.

## VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

There are 22,590,103 Common Shares issued and outstanding, each of which entitles the holder to one vote on a ballot. Only registered holders of Common Shares on the Record Date, or their duly-appointed proxies, are entitled to vote at the Meeting.

To the knowledge of the Directors, no person beneficially owns, or controls or directs, directly or indirectly, 10% or more of the voting rights attached to all voting securities of the Corporation.

## MATTERS TO BE ACTED UPON AT THE MEETING

Other than as set forth herein, neither the Directors nor management of the Corporation is aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any nominee for Director or any director or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing, in any matter to be acted on at the Meeting.

## Election Of Directors of the Corporation

At the Meeting, Shareholders will be asked to fix the number of Directors to be elected at the Meeting at eight (8) and to elect eight (8) Directors to hold office until the next annual meeting of the Shareholders of the Corporation or until their successors are elected or appointed. There are currently nine (9) Directors of the Corporation, each of whom retires from office at the Meeting, and one of whom, Mr. Glen Heximer, has chosen not to stand for re-election as a Director at the Meeting.

The names and jurisdictions of residence of the persons nominated for election as Directors, the number of Common Shares and Deferred Shares beneficially owned, or over which each exercises control or direction, directly or indirectly, the offices held by each in the Corporation, the period served as Director and the principal occupation of each are set forth below.

<b>Name and Municipality of Residence</b> <sup>(1)</sup>	<b>Period of Service as a Director</b>	<b>Principal Occupation and Other Public Directorships</b> <sup>(1)</sup>	<b>Number of Common Shares</b> <sup>(2)</sup>	<b>Number of Deferred Shares</b> <sup>(2)(11)</sup>
Henry Bereznicki Alberta, Canada	Since August 2004	Board Chairman of the Corporation, and President, Western Region of North American Development Group (a private real estate developer) and Centrecorp (a private real estate services company).	(6)	--
R. John Butler, Q.C. <sup>(3)(4)(5)</sup> Alberta, Canada	Since August 2004	Counsel, Bryan & Company (law firm).  Mr. Butler is also a director of TELUS Corporation.	20,000	3,251

Gary Collins <sup>(3)(4)(5)</sup> British Columbia, Canada	Since September 2006	Mr. Collins is the Senior Vice President of Belkorp Industries Inc. (private investment management company).  Mr. Collins serves as a director of Rogers Sugar Inc. and is also a member of the Board of Chorus Aviation Inc.	2,300	10,184
Richard J. Crook Alberta, Canada	Since January 2008	President & Chief Executive Officer of the Corporation.	(10)	--
Jim Dinning <sup>(3)(4)(5)</sup> Alberta, Canada	Since August 2004	Chairman, Western Financial Group (financial services company).  Mr. Dinning is also a director of Russel Metals Inc., Oncolytics Biotech Inc., and Parkland Fuel Corporation	6,000	3,251
Robert S. Green, LLB <sup>(3)(5)(7)</sup> Ontario, Canada	Since August 2004	President of North American Development Group (a private real estate developer) and Centrecorp (a private real estate services company)	(7)	6,463
Irving Kipnes, P. Eng. Alberta, Canada	Since August 2004	Executive Chairman of the Corporation and President and Managing Director of Delcon Development Group of Companies (real estate development).	(8)	--
David B. Margolus, Q.C. <sup>(3)(4)(9)</sup> Alberta, Canada	Since August 2004	Counsel, Witten LLP (law firm).  Mr. Margolus is a trustee of XS Cargo Income Corporation and a director of its administrator. Mr. Margolus is also a director of The Edmonton Airport Authority.	(9)	5,165

## Notes:

- (1) The information as to jurisdiction of residence and principal occupation, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (2) The information as to the number of Common Shares and Deferred Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been based upon reports filed with the Alberta Securities Commission.
- (3) Member of the Compensation Committee of the Corporation.
- (4) Member of the Governance Committee of the Corporation.
- (5) Member of the Audit Committee of the Corporation.
- (6) Mr. Bereznicki, together with his associates and affiliates, owns beneficially, or exercises control or direction over, directly or indirectly, approximately 40.77% of the outstanding shares of Liquor World World Group Inc., which owns beneficially, or exercises control or direction over, directly or indirectly, 482,398 Common Shares. In addition, Mr. Bereznicki owns directly or indirectly 18,504 Common Shares.
- (7) Mr. Green, together with his associates and affiliates, owns beneficially, or exercises control or direction over, directly or indirectly, approximately 10.07% of the outstanding shares of Liquor World World Group Inc., which owns beneficially, or exercises control or direction, directly or indirectly, over 482,398 Common Shares.
- (8) Mr. Kipnes owns beneficially, or exercises control or direction over, directly or indirectly, 100% of the outstanding shares of Kipnes Holdings Ltd., which owns beneficially, or exercises control or direction over, directly or indirectly, 936,198 Common Shares. In addition, Mr. Kipnes owns directly 395,904 Common Shares.
- (9) Mr. Margolus, together with members of his family, owns beneficially, or exercises control or direction over, directly or indirectly, the outstanding shares of Marfam Enterprises Ltd. which owns beneficially, directly or indirectly, or exercises control or direction over 327,299 Common Shares.
- (10) Mr. Crook, owns beneficially, or exercises control or direction over, directly or indirectly, the outstanding shares of Mikev Investments Ltd., which owns beneficially, or exercises control or direction over, directly or indirectly, 151,449 Common Shares. Mr. Crook owns directly 23,504 Common Shares.
- (11) Please see "Director Compensation – Director Fees and Deferred Share Plan" for a detailed description of the Deferred Share Plan.

A "record of attendance by Directors" at meetings of the Directors and their standing committees for the year ended December 31, 2010, is set out in Schedule "B" hereto.

Unless such authority is withheld, the Director representatives named in the accompanying form of proxy intend to vote for the election of the nominees whose names are set forth herein.

To the knowledge of the Corporation, no proposed director of the Corporation (nor any personal holding company of a proposed director) is, as of the date of this Information Circular, or has been within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation), that:

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

To the knowledge of the Corporation, no proposed director (nor any personal holding company of any proposed director):

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

To the knowledge of the Corporation, no proposed director of the Corporation (nor any personal holding company of any proposed director), has been subject to:

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

### **Appointment of Auditors**

At the Meeting, Shareholders will be called upon to appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of the Corporation, at a remuneration to be fixed by the Directors. PricewaterhouseCoopers LLP has been the auditor of the Corporation or the Fund since the inception of the Fund on August 10, 2004.

Unless such authority is withheld, the Director representatives named in the accompanying form of proxy intend to vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of the Corporation, at a remuneration to be fixed by the Directors.

The information required by Form 52-110F1 of National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators, including information about the fees billed to the Corporation by PricewaterhouseCoopers LLP, is contained in the Corporation's Annual Information Form for the year ended December 31, 2010, under the heading "Audit Committee".

## COMPENSATION DISCUSSION AND ANALYSIS

For the purposes of this Information Circular, “**Named Executive Officers**” or “**NEOs**” refers to the President and Chief Executive Officer and Senior Vice President and Chief Financial Officer of the Corporation, and each of the three most highly compensated executive officers of the Corporation, other than the President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation was, individually, greater than \$150,000. This Information Circular contains information with respect to seven (7) of the Corporation’s officers because two (2) of these individuals (Mr. Berezniki and Mr. Kipnes) received identical compensation in fiscal 2010 and because severance payments paid to Mr. Simon McCaffery, former Chief Operating Officer, qualify him as a Named Executive Officer in accordance with the provisions of National Instrument 51-102.

### Compensation Committee

The Compensation Committee has the responsibility to develop and recommend to the Board of Directors policies regarding the remuneration of the executive officers of the Corporation and the development and training of their successors, as well as supervise the implementation of these policies. Annually, the Committee reviews the Corporation’s compensation philosophy and guidelines and in doing so it assesses the linkage of executive compensation to the Corporation’s financial and non-financial performance, support of the Corporation’s business strategy, and alignment with the Corporation’s general employee compensation philosophy. The Compensation Committee is currently comprised of six members: Gary Collins (Chair), R. John Butler, Jim Dinning, Robert Green, Glen Heximer and David Margolus. As Mr. Heximer has chosen not to stand for re-election as a Director at the Meeting, he will cease being a member of the Compensation Committee following the expiration of the Meeting. No member of the Compensation Committee is an officer, employee or former officer or employee of the Corporation or any of its subsidiaries.

### Independent Executive Compensation Consultant

Upon recommendation of the Compensation Committee, in 2008 the Board of Directors engaged the services of Towers Perrin (predecessor to Towers Watson) as executive compensation consultants to provide independent advice to the Committee and the Board on certain matters relating to executive compensation and the structure of compensation for executives of the Corporation. Working independently, Towers Perrin assessed the market competitiveness of compensation arrangements for the executive management of the Corporation and provided the Compensation Committee with data respecting the annual and long-term incentive pay practices of comparable public issuers and retail peers. Although Towers Watson was also engaged in 2010 to provide limited advice in relation to the effect of the Reorganization upon certain executive employment agreements, Towers Watson did not provide any other advice nor did the Board of Directors engage any other executive compensation consultants in 2010. At no time has Towers Watson provided consulting services for the Corporation other than with respect to executive compensation. Decisions made by the Compensation Committee and the Board of Directors related to executive compensation reflect factors and considerations other than information provided by third party consultants such as Towers Watson. Further, in connection with assessing executive compensation, Liquor Stores completed its own internal research to assess the current market data compensation of comparative organizations for the purposes of informally assessing certain benchmarks used herein.

### Executive Compensation Philosophy

The Compensation Committee’s executive compensation philosophy is guided by its overall objective to obtain and retain executives critical to the success of the Corporation. Specifically, the Corporation’s compensation philosophy is based upon the following three (3) fundamental principles:

1. *Compensation Programs Align with the interests of Shareholders* – The Corporation aligns the goals of executive officers with the goal of creating long-term sustainable value for Shareholders;
2. *Performance Sensitive* – Compensation for executive officers should directly correlate to the operating performance of the Corporation and to the performance of executive officers on an individual-basis; and
3. *Offer Competitive Compensation to Attract and Retain Proficient Executives* – The Corporation is dedicated to providing market competitive pay relative to comparable companies involved in retail business operations in order to attract new executives, and retain and develop current executives who are performing to the highest industry standards.

The key objectives of the compensation program for the Corporation's executive officers were developed based on the above-mentioned compensation philosophy and are as follows:

- Attract and retain high calibre executives who are able to create value in a competitive economic environment;
- To align the interests of executive officers with the interests of Shareholders;
- To evaluate executive performance using strategic corporate objectives and goals;
- To reward executives for demonstrated leadership and the execution of business plans; and
- To arrive at an overall total compensation package for executive officers which is in the 75th percentile of comparable public companies, with base salaries for executive officers in the 50th percentile.

In assessing comparative public issuers, the Compensation Committee reviews publicly-available data related to compensation levels and programs of numerous issuers that are either similar in size to the Corporation or operate within various sectors of the Canadian retail industry. These organizations are used as the Corporation's primary peer group because they have similar business characteristics and operational structures, and because they compete with the Corporation for both employees and investors. Such comparative organizations include (but are not limited to) Brick Group Inc., Leon's Furniture Ltd., North West Company Corporation, The Forzani Group Ltd., Prizm Group Income Fund, and Cash Store Financial Services Inc.

### **Executive Compensation Components**

Guided by the foregoing philosophy and objectives, the Corporation's total direct compensation program for all executives, including Named Executive Officers, is comprised of the following components: base salary, annual discretionary bonus (cash), and annual discretionary option-based awards. Descriptions of the key attributes of these components are as outlined below:

**Base Salary** – Base salaries are compensation for discharging position responsibilities and generally reflect the level of skills, expertise, and capabilities the executive demonstrates in executing his duties. The Compensation Committee and the Board of Directors review and approve the salaries of the Named Executive Officers on an annual basis. The base salary review (and any salary adjustments arising therefrom) for each NEO is based on numerous factors, including current market competitive conditions, compensation levels of comparative corporate peers, individual effectiveness, and anticipated performance of the NEO. Often, comparative data from the Corporation's peer group is also compiled and analyzed. As noted above, one of the key objectives of the Corporation's compensation program is that the base salary for NEO's be in the 50<sup>th</sup> percentile of comparative public companies. In determining the base salaries for each of the Senior Vice President and Chief Financial Officer, Chief Operating Officer, and Vice President, Legal and General Counsel, the Compensation Committee considers recommendations presented by the President and Chief Executive Officer, and in determining the base salary for the President and Chief Executive Officer, the Compensation Committee considers recommendations presented by the Executive Chairman. In addition, the agreements with Mr. Bereznicki (Board Chairman and Director of Store Acquisitions and Development of the Corporation) and Mr. Kipnes (Executive Chairman of the Corporation) provide that they are to receive identical remuneration for so long as they continue to be employees of the Corporation or its affiliates, with Messrs. Bereznicki and Kipnes to make joint recommendations to the Compensation Committee and the Board of Directors of the Corporation with respect to such remuneration.

**Annual Discretionary Bonus (Cash)** – To motivate executives to achieve short-term corporate goals, each executive employment agreement contains provisions for a maximum annual discretionary cash bonus. Pursuant to the executive employment agreements, 2010 potential bonuses ranged from a maximum of 100% of base salary for the position of President and Chief Executive Officer, to 50% of base salary for each of the positions of Senior Vice President, Finance and Chief Financial Officer and Chief Operating Officer, to 40% of base salary for the position of Vice President, Legal and General Counsel, and an entirely discretionary amount with respect to each of the Executive Chairman and Board Chairman.

The performance metrics used by Liquor Stores to determine bonus payouts are not publicly disclosed. Liquor Stores believes that disclosure of these performance metrics, including supporting indices, benchmarking, and standards, would seriously prejudice the Corporation's interests in the markets in which the Corporation operates (as these metrics constitute strategic confidential information). The setting of the performance metrics is a critical component of Liquor Stores' confidential business planning and budgeting process that generally covers periods in excess of one financial year, so that even historical targets have

the potential to reveal key components of the Corporation's longer term objectives. In light of the foregoing, these undisclosed metrics, and their associated targets and results, are generally described rather than specifically disclosed in the relevant sections below.

The Board of Directors, in consultation with the Compensation Committee and the President and Chief Executive Officer, set certain individual and corporate performance objectives during the year. In 2010, these principal objectives included:

- Achievement of specific objective financial results;
- Achievement of growth targets (for certain NEO's); and
- Completion of certain internal corporate projects and professional development initiatives relative to an individual NEO's job responsibilities.

Of the foregoing principal objectives, financial targets comprised 30% of the potential maximum bonus for each NEO, between 50% - 60% of each potential maximum bonus was based upon departmental corporate projects and targets that were specific to an NEO's individual job responsibilities (including, for specific NEO's, the achievement of set growth targets), and between 10% - 20% of each potential maximum bonus was based upon the discretion of the Board (and such discretion included the Board's assessment of an NEO's completion of professional development activities).

Following the end of the fiscal year, the President and Chief Executive Officer presents the Compensation Committee with an assessment of overall job performance and an opinion as to the attainment of bonus criteria for each of the Senior Vice President, Finance and Chief Financial Officer, Chief Operating Officer, and Vice President, Legal and General Counsel, and provides a bonus recommendation to the Compensation Committee. The Executive Chairman performs a similar assessment and recommendation respecting the bonus for the President and Chief Executive Officer. Although the Compensation Committee and Board take into account these assessments and recommendations, the determination as to whether an identifiable target has been met is ultimately made by the Board of Directors, and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate. In addition to the above, the Board of Directors often sets certain goals relative to NEO individual professional development initiatives and will also take this into consideration in assessing appropriate bonuses for NEOs.

The Compensation Committee and the Board of Directors considered the bonus criteria in light of individual job performance for each NEO and awarded the following bonuses for the 2010 financial year:

- Mr. Crook was awarded a bonus in the amount of \$187,500 (representing 50% of Mr. Crook's bonus eligibility);
- Mr. de Grace was awarded a bonus in the amount of \$59,000 (representing 50% of Mr. de Grace's bonus eligibility);
- Mr. Morrow was awarded a bonus in the amount of \$51,250 (representing 50% of Mr. Morrow's bonus eligibility);
- Mr. Corbett was awarded a bonus in the amount of \$42,000 (representing 70% of Mr. Corbett's bonus eligibility);and
- No bonuses were awarded to Mr. Bereznicki or Mr. Kipnes.

NEO's did not receive full bonuses because none of the financial results targets had been achieved (representing 30% of each NEO bonus criteria) and because, in certain instances, the Board exercised its discretion and did not award the full amount comprising the discretionary component of the bonus (10% - 20%). Bonuses earned as a percentage of NEO 2010 base salaries were as follows: Mr. Crook (50% of base salary); Mr. de Grace (25% of base salary); Mr. Morrow (25% of base salary); and Mr. Corbett (28% of base salary). Although Mr. Bereznicki and Mr. Kipnes' employment agreements permit the Board of Directors to award a discretionary bonus, the Board (in consultation with Mr. Bereznicki and Mr. Kipnes) opted not to award bonuses.

In finalizing the bonus awards, the Board of Directors noted that based upon its informal review of the compensation of comparator organizations, it was likely that the overall total compensation package for NEO's for 2010 was below the 75% percentile of comparable public companies (and also likely that base salaries for NEO's were below the 50<sup>th</sup> percentile). Consequently, two of the key objectives for the compensation program of the Corporation had likely not been met.

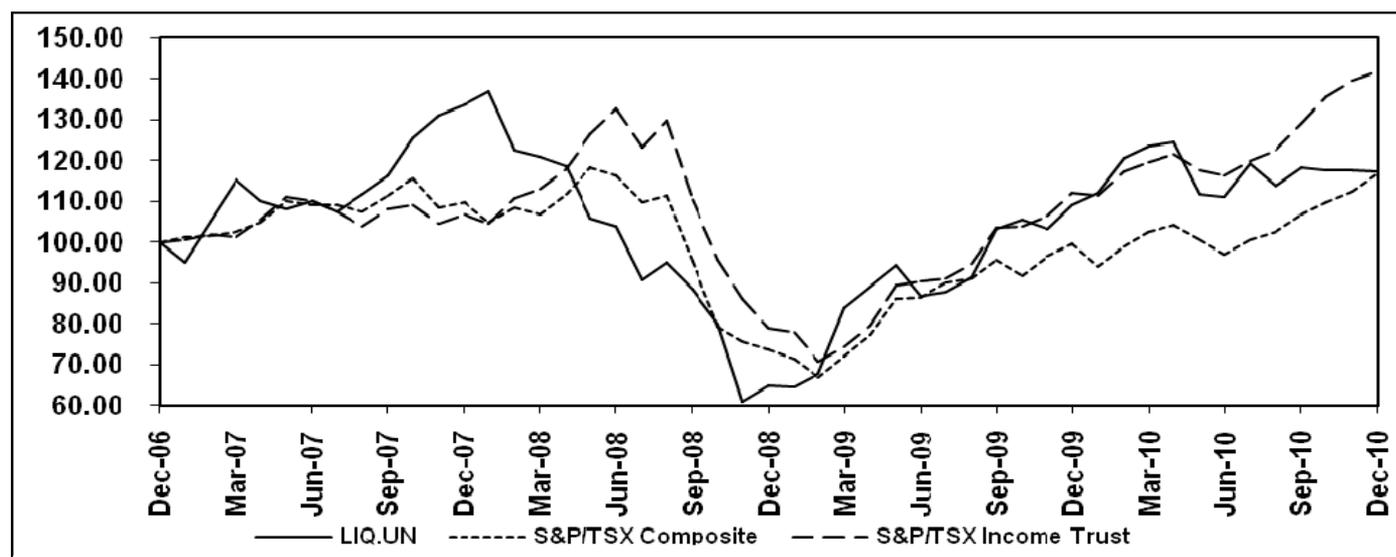
**Annual Option-Based Awards** – In addition to base-salary and an annual discretionary bonus, the Corporation has the further flexibility to add to overall total compensation of its executive officers (and other employees) through the use of annual option-based awards. The Corporation currently has in place a share option plan (“SOP”). The Board of Directors assesses current industry trends and other macro-economic factors in determining whether options should or should not be awarded. The Board of Directors did not grant any option-based awards as a component of employee compensation for the 2010 financial year.

Please see “Incentive Plan Awards” for a detailed description of the SOP.

## Performance Graph

The Trust Units of the Fund traded on the Toronto Stock Exchange (the "TSX") until completion of the Fund's reorganization in to a corporation. Pursuant to the Reorganization, all outstanding Trust Units of the Fund were exchanged for Common Shares of the Corporation on a one-for-one basis, and the Common Shares commenced trading on the TSX on January 7, 2011.

The following chart compares the cumulative total Unitholder return, including the reinvestment of distributions, for the previous five financial years of the Fund, for \$100 invested in the Trust Units of the Fund, with the cumulative total return from the S&P/TSX Canadian Income Trust Index (Total Return) and the S&P/TSX Composite Index:



Performance Graph Values	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Liquor Stores Income Fund (Total Return)	\$100.00	\$133.68	\$64.67	\$109.05	\$117.20
S&P/TSX Canadian Income Trust Index (Total Return)	\$100.00	\$109.83	\$73.58	\$99.38	\$116.87
S&P/TSX Composite Index	\$100.00	\$106.61	\$78.80	\$112.06	\$141.98

No specific material relationship exists between executive compensation and the cumulative total Unitholder return over the time period represented by the foregoing performance graph. This arises as a result of several factors: i) the Corporation is of the view that as an income trust, the market price of the Fund's Trust Units during the period illustrated above had, at times, been materially affected by extraneous factors and as such did not appropriately track to the performance of the Fund or its management team during such period; ii) the market price of the Fund's Trust Units was never utilized as a benchmark for executive compensation; iii) although executive officers of the Corporation were awarded Trust Unit-based awards by the Board of Directors in 2006 and 2007 pursuant to the Fund's long-term incentive plans (and as such the value of these Trust Units

fluctuated along with the market price of the Trust Units), these equity-based awards comprised a minor portion of overall total compensation for executive officers and equity-based awards were not made in subsequent years; and iv) the aggregate total annual compensation of all executive officers during the period illustrated above does not correlate with the annual cumulative total Unitholder returns for the same period.

## SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation paid to the Named Executive Officers during the last three completed financial years.

Name and Principal Position	Year	Salary	Non-Equity Incentive Plan Compensation				Pension Value	All Other Compensation <sup>(7)</sup>	Total Compensation
			Share-Based Awards	Option-Based Awards	Annual Incentive Plans <sup>(4)</sup>	Long-Term Incentive Plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Richard J. Crook <sup>(1)</sup> President & Chief Executive Officer	2010 2009 2008	375,000 350,000 350,000	- - -	- - -	187,500 262,500 175,000	- - -	- - -	- - -	562,500 612,500 525,000
Patrick J. de Grace Senior Vice President, Finance & Chief Financial Officer	2010 2009 2008	236,000 225,000 225,000	- - -	- - -	59,000 90,000 78,750	- - -	- - -	- - -	295,000 315,000 303,750
Scott Morrow <sup>(2)</sup> Chief Operating Officer	2010	187,917	-	-	51,250	-	-	50,000 <sup>(3)</sup>	289,167
Craig Corbett Vice President, Legal & General Counsel	2010 2009 2008	150,000 140,000 120,000	- - -	- - -	42,000 47,600 24,000	- - -	- - -	- - -	192,000 187,600 144,000
Irving Kipnes Executive Chairman	2010 2009 2008	200,000 180,000 300,000	- - -	- - -	- - -	- - -	- - -	- - -	200,000 180,000 300,000
Henry Bereznicki Board Chairman and Director of Store Acquisitions & Development	2010 2009 2008	200,000 180,000 300,000	- - -	- - -	- - -	- - -	- - -	- - -	200,000 180,000 300,000
Simon J. McCaffery <sup>(5)</sup> Former Chief Operating Officer	2010 2009 2008	- 180,000 152,308	- - -	- - -	- 45,000 90,000	- - -	- - -	237,100 <sup>(6)</sup> - 40,000	237,100 225,000 282,308

### Notes:

- (1) Mr. Crook is a member of the Board of Directors of the Corporation and receives no additional compensation for such directorship.
- (2) Mr. Morrow commenced employed with the Corporation in February 2010, with a 2010 annual salary of \$205,000.
- (3) Mr. Morrow received a one-time signing bonus of \$50,000 upon his commencement of employment with the Corporation. Such bonus was paid to Mr. Morrow primarily to replicate the estimated bonus he was due to receive from his previous employer.
- (4) Annual discretionary cash bonuses. See "Compensation Discussion & Analysis – Annual Discretionary Bonus (Cash)".
- (5) Mr. McCaffery ceased employment with the Corporation in January 2010.
- (6) Following the termination of his employment in January 2010, Mr. McCaffery was paid a severance package in the aggregate amount of \$237,100 (payable over a twelve-month period). In addition to this severance payment, following his termination Mr. McCaffery was paid a bonus of \$45,000 relating to his 2009 employment.
- (7) With the exception of the additional compensation provided to McCaffery and Mr. Morrow as disclosed above, the value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for each financial year disclosed above.

## INCENTIVE PLAN AWARDS

### Share Option Plan

The Fund adopted a unit option plan in 2009. In connection with the Reorganization, the unit option plan (now the Corporation's share option plan) was adopted by the Corporation and amended to reflect the Reorganization, the exchange of the Trust Units of the Fund for Common Shares of the Corporation, certain consequential amendments related thereto and certain amendments made in relation to changes in tax laws. A copy of the SOP is available upon request by contacting the Senior Vice President and Chief Financial Officer of the Corporation. The SOP is intended to aid in attracting, retaining and motivating directors, officers, employees and other eligible service providers of the Corporation and its subsidiaries, and to provide such persons with an incentive to continue in the long term service of the Corporation and its subsidiaries, and to create in such persons a direct interest in the future success of the operations of the Corporation and its subsidiaries by tying incentive compensation to increases in the value of the Common Shares of the Corporation. The following is a summary of key features of the SOP:

- Under the SOP, the maximum number of the Common Shares issuable on exercise of outstanding options at any time is limited to 10% of the issued and outstanding Common Shares, less the number of Common Shares issuable pursuant to all other security based compensation arrangements of the Corporation. Any increase in the issued and outstanding Common Shares will result in an increase in the number of the Common Shares that may be issued on exercise of options outstanding at any time and any exercise of options makes new grants available under the SOP.
- Options that are cancelled, terminated or expire prior to the exercise thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the SOP.
- Options granted pursuant to the SOP will have a term not exceeding five years and vest in such manner as determined by the Board. Under the SOP, the Board may at any time, at its sole discretion, accelerate or provide for the acceleration of vesting of options previously granted. Options granted under the SOP are non-assignable. The exercise price of options granted will be determined by the Board at the time of grant, provided that in no event shall the exercise price be less than the last closing price of the Common Shares on the TSX preceding the time of grant.
- Under the SOP, the number of the Common Shares reserved for issuance to any one optionee may not exceed 5% of the issued and outstanding Common Shares. In addition, the number of the Common Shares under all security based compensation arrangements of the Corporation: (i) issuable to insiders at any time shall not exceed 10% of the issued and outstanding Common Shares; and (ii) issued to insiders within any one year period shall not exceed 10% of the issued and outstanding Common Shares. Also, the maximum number of Common Shares issuable on exercise of options outstanding at any time held by directors of the Corporation who are not officers or employees of the Corporation is limited to 1.0% of the issued and outstanding Common Shares.
- In case of death of an optionee, options terminate on the date determined by the Board which may not be more than 12 months from the date of death. If the optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, the Corporation or any of its subsidiaries (other than by reason of death or termination for cause), his or her options terminate on the expiry of a period not in excess of six months as determined by the Board at the time of grant. In the event an optionee is terminated for cause, his or her options shall terminate immediately. The number of Common Shares that an optionee (or his or her heirs or successors) is entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the Common Shares that may be acquired on exercise of the options held by such optionee (or his or her heirs or successors) whether or not previously vested and the vesting of all such options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the optionee was entitled to purchase on the date the optionee ceased to be a service provider.
- Subject to the provisions of the SOP, in the event of a "change of control" (as defined in the SOP) all issued and outstanding options become exercisable (whether or not they are vested) immediately prior to the time such change of control takes place and terminate on the 90th day after the occurrence of the change of control or at such earlier time as may be established by the Board before the change of control takes place. A "change of control" includes: (i) a successful takeover bid pursuant to which the offeror would as a result of such takeover bid beneficially own, directly or indirectly, in excess of 50% of the outstanding Common Shares; (ii) an acquisition of ownership or control of more than 30% of the outstanding voting securities of the Corporation together with a change in the majority of the Board, (iii) the winding-up of the

Corporation or the sale of all or substantially all of the assets of the Corporation, and (iv) any determination by a majority of the Board that a change of control has occurred or is about to occur.

- In the event: (i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) that any rights are granted to Shareholders to purchase Common Shares at prices substantially below the then five-day weighted average trading price of the Common Shares on the TSX; or (iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities, then the Board may make such adjustments to the SOP and to any outstanding options as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to an optionee.
- Except if not permitted by the TSX, if any options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by the Board). A "**Black-Out Period**" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an option.
- An optionee may, under the terms of the SOP, make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the optionee to the Corporation (and the termination thereof) of any options for an amount (not to exceed the weighted average trading price of the Common Shares on the TSX for the five consecutive trading days immediately preceding the date of such offer less the exercise price of the options) specified in the Surrender Offer and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any required regulatory approval.
- The Board may amend or discontinue the SOP at any time without the consent of a holder of options, provided that such amendment shall not alter or impair any options previously granted under the SOP (except as otherwise permitted under the SOP). In addition, the Board may, by resolution, amend the SOP and any options granted under it without Shareholder approval other than: (i) to increase the maximum number of Common Shares issuable pursuant to the SOP; (ii) to reduce the exercise price of an option held by an insider; (iii) to extend the term of an option held by an insider; or (iv) in any other circumstances where TSX and Shareholder approval is required by the TSX.

As of the date of this Information Circular, the Board of Directors have awarded 675,000 options pursuant to the SOP. These options were awarded in March 2011 to certain employees of the Corporation as a component of their compensation for the 2011 financial year.

### **Long-Term Incentive Plan**

2008 was the last year the Board of Directors made an award under the Fund's previously-established long-term incentive plan ("**LTIP**"). Although no new LTIP awards have been granted since 2008, the Corporation deems it prudent to disclose the particulars of the LTIP in this Information Circular because the final awards issued pursuant to the LTIP did not vest until January 2011.

The purpose of the LTIP was to provide directors, officers and other senior management employees of the Fund with compensation opportunities that would encourage ownership of Trust Units, enhance the Fund's ability to attract, retain and motivate key personnel, and reward participants for significant performance and associated cash flow growth of the Fund. Pursuant to the LTIP, the Fund set aside a pool of funds based upon the amount by which the Fund's per Trust Unit distributions exceeded certain per Trust Unit distributable cash threshold amounts. Trust Units (since exchanged for Common Shares pursuant to the Reorganization) were then purchased in the market or from treasury with such pool of funds and are held until such time as ownership in such securities vests to each participant. Certain features of the treasury portion of the LTIP are summarized below:

- directors, officers and other senior management employees (as determined by the Compensation Committee) of the Fund or one of its affiliates were eligible to participate in the LTIP;
- Trust Units purchased from treasury under the LTIP were purchased at a price per Trust Unit equal to the volume weighted average trading price of the Trust Units on the TSX for the five trading days immediately preceding the date of issue of the Trust Units from treasury pursuant to the LTIP (the "**Market Price**");

- unless otherwise specified by the Compensation Committee at the time of the grant of a right to a participant in the LTIP, one-third of the Trust Units that were the subject of a right shall vest in the participant on the date of grant and on each of the second and third anniversary of the date of grant;
- if an LTIP participant resigns or is terminated with cause, then all outstanding rights held by such participant, and all right and interest in any unvested Common Shares or dividends thereon held in the account of the participant, shall immediately expire;
- if a participant dies, becomes disabled, retires at normal retirement age or is terminated without cause, then all outstanding rights held by such participant shall expire and all right and interest in any unvested Common Shares and dividends thereon held in the account of the participant shall immediately vest in the participant;
- the interest of any participant under the LTIP or in any right granted thereunder shall not be transferable or alienable by the participant, either by pledge, assignment or in any other manner, and after his or her lifetime shall enure to the benefit of and be binding upon the participant's beneficiary; and
- unless the TSX or any other regulatory authority having jurisdiction requires otherwise, the LTIP can be amended by the Compensation Committee without receiving securityholder approval in respect of all matters other than (i) increasing the maximum number of Common Shares reserved for issuance from the Corporation's treasury under the LTIP, and (ii) issuing Common Shares pursuant to the LTIP from the Corporation's treasury at an issue price lower than the Market Price of the Common Shares at the time the Common Shares are issued.

At December 31, 2010 there were 13,015 unvested Common Shares in the LTIP, representing less than one percent of the total Common Shares outstanding. These unvested Common Shares in the LTIP vested in January 2011, leaving no further unvested Common Shares (and consequently NEOs currently have no rights to unvested Common Shares).

#### ***Outstanding Share-Based Awards***

The following table sets forth for each Named Executive Officer all share-based awards outstanding at the year ended December 31, 2010.

Name	Share-based Awards	
	Number of shares that have not vested <sup>(1)</sup> (#)	Market or payout value of share-based awards that had not vested <sup>(2)</sup> (\$)
Richard J. Crook	3,090	48,760
Patrick J. de Grace	1,854	29,293
Scott Morrow	-	-
Craig D. Corbett	-	-
Irving Kipnes	3,090	48,760
Henry Bereznicki	3,090	48,347
Simon McCaffery	-	-

Notes:

- (1) For each of Messrs. Crook, Kipnes and Bereznicki, unvested Common Shares consisted of 3,090 Common Shares under the LTIP. For Mr. de Grace, unvested Common Shares consisted of 1,854 Common Shares under the LTIP. These LTIP awards vested in their entirety in January 2011.
- (2) The market value of the unvested Common Shares as at December 31, 2010 is equal to the sum of the distributions paid on the Trust Units that were exchanged for such Common Shares pursuant to the Reorganization, plus an amount equal to the number of unvested Common Shares multiplied by the closing trading price of the Trust Units on December 31, 2010.

### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each Named Executive Officer, the value of unit-based awards which vested during the year ended December 31, 2010 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010.

Name	Unit-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Richard J. Crook	97,776	187,500
Patrick J. de Grace	58,369	59,000
Scott Morrow	-	51,250
Craig D. Corbett	-	42,000
Irving Kipnes	96,915	-
Henry Bereznicki	96,915	-
Simon McCaffery	-	-

Notes:

- (1) Calculated by multiplying the number of Trust Units that vested during the last completed financial year by the market price of such Trust Units on the date of vesting, plus the amount of all distributions paid on such Trust Units up to the vesting date. Pursuant to the Reorganization, all outstanding Trust Units of the Fund were exchanged for Common Shares of the Corporation on a one-for-one basis.
- (2) Non-equity incentive plan compensation consists of cash performance bonuses paid to Named Executive Officers.

### **Termination and Change of Control Benefits**

Each of Richard J. Crook, Patrick de Grace, Scott Morrow, and Craig D. Corbett has entered into employment agreements with the Corporation which provide for certain payments in connection with a "Change of Control" or termination without cause. For the purposes of Mr. Crook and Mr. de Grace's employment agreements, a "Change of Control" means: (i) the acquisition by a person or group of persons (other than those individuals constituting the initial vendor group of the Liquor Stores Fund), acting in concert, of fifty (50%) percent or more of the Common Shares of the Corporation; or (ii) the receivership or bankruptcy of the Corporation.

In the event Mr. Cook's employment is terminated without cause or within one year of a Change of Control (by either Mr. Crook or the Corporation), the Corporation is required to pay Mr. Crook an amount equal to two (2x) times Mr. Crook's average annual remuneration (including salary, bonus, value of long term equity-based incentive plan awards and benefits) over the preceding three (3) years, which amount, as at December 31, 2010, is estimated to be \$1,264,511.

In the event Mr. de Grace's employment is terminated without cause or within one year of a Change of Control (by either Mr. de Grace or the Corporation), the Corporation is required to pay Mr. de Grace an amount equal to one and one-half (1.5x) times Mr. de Grace's average annual remuneration (including salary, bonus, value of long term equity-based incentive plan awards and benefits) over the preceding three (3) years, which amount, as at December 31, 2010, is estimated to be \$509,508.

Mr. Corbett and Mr. Morrow's employment agreements vary slightly from Mr. Crook's and Mr. de Grace's employment agreements. For the purposes of Mr. Corbett's and Mr. Morrow's agreements, a "Change of Control" means: i) a successful takeover bid of Liquor Stores; or ii) any change in the beneficial ownership or control of the outstanding securities of Liquor Stores which results in a person or group of persons acting "jointly or in concert" or an affiliate or associate of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests of Liquor Stores; or iii) the winding up or the sale or lease or transfer of all of substantially all of the directly or indirectly held assets of Liquor Stores to any other person or person (other than pursuant to an internal reorganization); or iv) any determination by a majority of the Board of Directors of Liquor Stores that a change of control has occurred or is about to occur.

With respect to Mr. Morrow, if the Corporation terminates Mr. Morrow's employment "without cause" (regardless of whether or not there is or was a Change of Control), the Corporation is required to pay Mr. Morrow an amount equal to one and one-half times (1.5x) Mr. Morrow's annual salary at the time of termination, one and one-half times (1.5x) Mr. Morrow's target

bonus; and an amount equal to 25% of the foregoing amounts in lieu of benefits and perquisites. This termination amount, as at December 31, 2010, is estimated to be \$576,562.50. Mr. Morrow is also entitled to an identical payment if, within twelve (12) months following a Change of Control, Mr. Morrow resigns or terminates his employment in the event there is: i) a material adverse change to Mr. Morrow's position, duties, or responsibilities; ii) a material adverse change in Mr. Morrow's reporting relationship that is inconsistent with his title or position; or iii) a reduction in base salary or target Bonus, and such change remains unremedied by the Corporation following Mr. Morrow's notice to the Corporation respecting same. As well, Mr. Morrow is entitled to a lump sum retention bonus equal to one (1x) his then annual salary if there is a Change of Control and Mr. Morrow remains employed with the Corporation for a period of three (3) months following the Change of Control. This retention bonus amount as at December 31, 2010 is estimated to be \$205,000.

With respect to Mr. Corbett, if the Corporation terminates Mr. Corbett's employment "without cause" (regardless of whether or not there is or was a Change of Control), the Corporation is required to pay Mr. Corbett an amount equal to one and one-half times (1.5x) Mr. Corbett's annual salary at the time of termination, one and one-half times (1.5x) Mr. Corbett's target bonus; and an amount equal to 25% of the foregoing amounts in lieu of benefits and perquisites. This termination amount, as at December 31, 2010, is estimated to be \$393,750. Mr. Corbett is also entitled to this payment if, within twelve (12) months following a Change of Control, Mr. Corbett resigns or terminates his employment in the event there is: i) a material adverse change to Mr. Corbett's position, duties, or responsibilities; ii) a material adverse change in Mr. Corbett's reporting relationship that is inconsistent with his title or position; or iii) a reduction in base salary or target Bonus, and such change remains unremedied by the Corporation following Mr. Corbett's notice to the Corporation respecting same. As well, Mr. Corbett is entitled to a lump sum retention bonus equal to one (1x) his then annual salary if there is a Change of Control and Mr. Corbett remains employed with the Corporation for a period of three (3) months following the Change of Control. This retention bonus amount as at December 31, 2010 is estimated to be \$150,000.

Mr. McCaffery's employment with Liquor Stores GP Inc., administrator of Liquor Stores Fund, was terminated on January 8, 2010. Following his termination Mr. McCaffery was paid the aggregate amount of \$282,100. Included within this aggregate payment were Mr. McCaffery's 2009 performance bonus in the amount of \$45,000 and a severance package in the amount of \$237,100. Mr. McCaffery's bonus was paid in a lump sum and the severance package was paid over a twelve (12) month period. Mr. McCaffery's employment agreement permitted Liquor Stores GP Inc. to terminate Mr. McCaffery's employment without cause upon payment of an amount equal to one (1x) Mr. McCaffery's average annual total remuneration over the preceding calendar year (including salary, bonus, value of long-term equity based incentives and benefits).

## **DIRECTOR COMPENSATION**

### **Director Fees and Deferred Share Plan**

During the Corporation's most recently completed financial year, non-employee directors of Liquor Stores GP Inc., the administrator of the Fund, were entitled to an annual cash retainer of \$60,000, 50% of which they could elect to receive in deferred Trust Units under a deferred unit plan (the "**Deferred Share Plan**") that was assumed and amended and restated by the Corporation in connection with the Reorganization. In addition to the annual cash retainer, non-employee directors also received an award of 1,000 deferred Trust Units under the Deferred Share Plan. Although no additional fees were paid for attending meetings of the Board, or for serving as Chair of any regular committee of the Board, in 2010 the following directors received additional cash compensation for serving as members of a special Board committee constituted to review strategic considerations respecting the Reorganization: Jim Dinning (\$30,000), R. John Butler (\$25,000), Robert S. Green (\$25,000) and Glen H. Heximer (\$25,000).

Certain features of the Deferred Share Plan, as amended and restated in connection with the Reorganization, are as follows:

- All non-employee Directors are eligible to participate in the Deferred Share Plan, the purpose of which is to enhance the ability of the Corporation to attract and retain non-employee Directors whose training, experience and ability will promote the interests of the Corporation and to align the interests of such non-employee Directors with the interests of Shareholders;
- The Deferred Share Plan is administered by the Governance Committee;

- The Deferred Share Plan is designed to permit such non-employee Directors to defer the receipt of all or a portion of the cash compensation otherwise payable to them. The Deferred Share Plan allows the Directors to elect to receive up to 100% of their cash compensation as an award of deferred Common Shares;
- A deferred Common Share means the right to receive an amount in cash equal to the aggregate current market value of the deferred Common Shares based on the closing price of the Common Shares on the TSX on the trading day immediately preceding the payment date (the Corporation also has the option to pay such amount in Common Shares acquired on the TSX or from treasury, or a combination thereof, provided that the aggregate number of Common Shares that may be acquired on the TSX within any 12 month period shall not exceed 5% of the outstanding Common Shares as at the beginning of such period. The payment date in respect of a deferred Common Share is: (i) in the case of a deferred Common Share granted prior to December 31, 2010, the earlier of the third anniversary of the date of grant and the date the participant ceases to be a Director; and (ii) in the case of a deferred Common Share granted on or subsequent to December 31, 2010, the date the participant ceases to be a Director;
- The number of deferred Common Shares to which a participant is entitled shall be adjusted for the payment of dividends on the Common Shares in accordance with the Deferred Share Plan;
- In the event: (i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) that any rights are granted to Shareholders to purchase Common Shares at prices substantially below fair market value; or (iii) that, as a result of any recapitalization, merger, consolidation, or other transaction, the Common Shares are converted into or exchangeable for any other securities; then in any such case the Board may make adjustments to the Deferred Share Plan, to any awards made under the Deferred Share Plan and to any accounts held by Directors with respect thereto, as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to participants in the Deferred Share Plan;
- Further, in the event the Corporation enters into any transaction or series of transactions whereby the Corporation or all or substantially all of the Corporation's undertaking, property or assets would become the property of another trust, body corporate partnership, or other person, by way of take-over bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, the successor to the Corporation will execute all such instruments and do such things as the Corporation considers necessary to establish that upon the consummation of such transaction the successor will have assumed all covenants and obligations of the Corporation under the Deferred Share Plan and in respect of awards granted pursuant to the Deferred Share Plan in a manner that substantially preserves and does not impair the rights of the participants thereunder in any material respect;
- The right to receive deferred Common Shares is personal to Directors and may not be assigned (although Directors may request that settlement payments be issued to other individuals as the Directors may so direct); and
- The Corporation retains the right to amend from time to time or to terminate the terms and conditions of the Deferred Share Plan by resolution of the Board of Directors. Any amendments shall be subject to the prior consent of any applicable regulatory bodies.

As a means of further aligning the interests of the Directors with those of the Shareholders, the Board of Directors has a policy that Directors must hold a minimum of an aggregate of \$80,000 of Common Shares and deferred Common Shares. At the date hereof, all of the Directors hold in excess of this minimum requirement.

The Corporation also reimburses Directors for out-of-pocket expenses in connection with their attendance at board meetings. No directors' compensation is paid to Directors who are employees or members of management of the Corporation.

**Directors' Summary Compensation Table**

The following table sets forth, for the financial year ended December 31, 2010, the compensation paid and granted to the directors of Liquor Stores GP Inc., other than directors who are also Named Executive Officers. The directors of Liquor Stores GP Inc. became the directors of the Corporation in connection with the Reorganization.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards<sup>(1)</sup> (\$)</b>	<b>Total<sup>(2)</sup> (\$)</b>
R. John Butler	85,000	6,566	91,566
Gary Collins	30,000	25,886	55,886
Jim Dinning	90,000	6,566	96,566
Robert S. Green	70,000	14,777	84,777
Glen H. Heximer	75,000	13,994	88,994
David B. Margolus	60,000	8,383	68,383

Notes:

- (1) Based on the fair value of the awards as at the date of grant.
- (2) The difference in total compensation paid and granted to Directors is due to elections made by them to receive up to 50% of their retainer in deferred Trust Units awarded pursuant to the Deferred Trust Unit Plan. Pursuant to the Reorganization, all outstanding deferred Trust Units of the Fund were exchanged for deferred Common Shares of the Corporation on a one-for-one basis on December 31, 2010. In connection with the Reorganization the Deferred Trust Unit Plan was amended and restated as the Deferred Share Plan and was revised to permit Directors to elect to receive up to 100% of their annual retainer in deferred Common Shares.

**Directors' Outstanding Share-Based Awards**

The following table sets forth for each of the directors of Liquor Stores GP Inc., other than directors who are also Named Executive Officers, all share-based awards outstanding at December 31, 2010:

<b>Name</b>	<b>Share -Based Awards</b>	
	<b>Number of shares that have not vested (#)</b>	<b>Market or payout value of share- based awards that have not vested<sup>(1)</sup> (\$)</b>
R. John Butler	4,635	70,352
Gary Collins	11,472	174,152
Jim Dinning	4,635	70,352
Robert S. Green	7,108	107,893
Glen H. Heximer	8,535	129,556
David B. Margolus	5,821	88,358

Notes:

- (1) Calculated assuming the payment date in respect of the deferred Common Shares was December 31, 2010. Pursuant to the Reorganization, all outstanding deferred Trust Units of the Fund were exchanged for deferred Common Shares of the Corporation on a one-for-one basis on December 31, 2010.

**Value Vested or Earned During the Year**

The following table sets forth for each of the directors of Liquor Stores GP Inc., other than directors who are also Named Executive Officers, the value of deferred Trust Units which vested or were settled during the year ended December 31, 2010.

Name	Unit -based awards – Value vested during the year <sup>(1)</sup> (\$)
R. John Butler	20,970
Gary Collins	36,420
Jim Dinning	20,970
Robert S. Green	25,200
Glen H. Heximer	40,590
David B. Margolus	10,485

Notes:

- (1) Amount is equal to the amount of the cash payment made to the director on the payment date in respect of his deferred Trust Units.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	Nil	N/A	2,245,764 <sup>(3)</sup>
Equity compensation plans not approved by security holders	13,246 <sup>(2)</sup>	N/A	Nil
Total	13,246	Nil	2,245,764 <sup>(3)</sup>

Note:

- (1) Information provided as at December 31, 2010.
- (2) Represents unvested Common Shares (formerly Trust Units) granted pursuant to the LTIP. All Common Shares granted pursuant to LTIP vested in January 2011. See "Incentive Plan Awards – Long Term Incentive Plan" for additional information.
- (3) Represents options available for issuance under the Corporation's share option plan. As of the date of this Information Circular, the Board of Directors have awarded 675,000 options pursuant to the SOP. These options were awarded in March 2011 to certain employees of the Corporation as a component of their compensation for the 2011 financial year.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS****Aggregate Indebtedness**

There is no indebtedness outstanding on the date hereof owed to (i) the Corporation or any of its subsidiaries, or (ii) another entity where that indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, by any present or former directors, executive officers and employees, as applicable, of the Corporation and its subsidiaries in connection with (i) the purchase of securities, or (ii) all other indebtedness, other than routine indebtedness.

**Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs**

Since the commencement of the Corporation's most recently completed financial year, there has been no indebtedness outstanding owed to (i) the Corporation or any of its subsidiaries, or (ii) another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than routine indebtedness, by any individual who is, or at any time during the Corporation's most recently completed financial year was, a director or executive officer, as applicable, of the Corporation or the Corporation, a proposed nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed director.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth below and elsewhere in this Information Circular, no informed person of the Corporation, nor any proposed director, nor any associate or affiliate of any informed person or proposed director, has any material interest, direct or indirect, in any transaction since the commencement of the Fund's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

**MANAGEMENT CONTRACTS**

There are no management functions of the Corporation or any of its subsidiaries that are to any substantial degree performed by a person other than the directors or executive officers, as applicable, of the Corporation or the Corporation.

**PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

The Directors know of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the Director representatives named in the form of proxy accompanying this Information Circular to vote in respect thereof in accordance with their best judgment of such matters.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the Corporation's most recently completed financial year. A copy of the Corporation's financial statements and management's discussion and analysis is available upon written request to the Senior Vice President & Chief Financial Officer of the Corporation at the Corporation, #300, 10508 – 82 Avenue, Edmonton, Alberta, T6E 2A4.

## SCHEDULE "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 52-110 *Audit Committees* (the "**CSA Audit Committee Rules**") include requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters. Reference is made to the section entitled "Audit Committee" of the Annual Information Form of the Corporation for the year ended December 31, 2010, available on SEDAR at [www.sedar.com](http://www.sedar.com) and which may be obtained free of charge, on request, from the Corporate Secretary of the Corporation.

National Policy 58-201 *Corporate Governance Guidelines* (the "**CSA Governance Policy**") provides guidance on governance practices for Canadian issuers and National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "**CSA Disclosure Instrument**") requires issuers to make prescribed disclosure regarding their governance practices. The Corporation believes that its corporate governance practices meet the requirements of the CSA Disclosure Instrument and the CSA Governance Policy, as illustrated in the disclosure made hereunder.

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
1) Board of Directors of the Corporation		
a) Disclose the identity of directors who are independent.	Yes	Of the nine (9) current members of the Board of Directors of the Corporation, six (6) directors are "independent" within the meaning of the CSA Disclosure Instrument. They are R. John Butler, Gary Collins, Jim Dinning, Robert S. Green, Glen H. Heximer, and David Margolus. Mr. Margolus is counsel to Witten LLP, which is one firm of several that receives fees for legal services provided to the Corporation and its subsidiaries. The Directors have concluded, however, that this relationship cannot reasonably be expected to interfere with the exercise of independent judgement by Mr. Margolus and accordingly that Mr. Margolus is "independent" within the meaning of the CSA Disclosure Instrument. Mr. Heximer has chosen not to stand for re-election to the Board of Directors at the Meeting.
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Yes	Three (3) of the directors, Messrs. Bereznicki, Kipnes and Crook are officers of the Corporation and therefore do not qualify as "independent" within the meaning of the CSA Disclosure Instrument.
c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgement in carrying out its responsibilities.	Yes	Six (6) of the Corporation's nine (9) current directors are independent.
d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	The reporting issuer directorships of all director nominees are described on pages 3 and 4 of this Information Circular.

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	Yes	The independent directors meet at each regularly-scheduled Board meeting without management or non-independent Directors present and often meet without management or non-independent Directors present at non-regularly scheduled meetings as well. Seven (7) of such meetings of independent directors were held in 2010. In addition, each standing Committee of the Board of Directors meets at each regularly-scheduled Committee meeting without management or non-independent Directors present. Each standing Committee held four (4) of such meetings in 2010.
f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	Yes	Irv Kipnes is currently the Executive Chairman of the Board. Mr. Kipnes is not independent within the meaning of the CSA Disclosure Instrument. Henry Bereznicki is currently the Board Chairman. Mr. Bereznicki is not independent within the meaning of the CSA Disclosure Instrument. However, six (6) of the Corporation's current nine (9) current directors are independent and the Audit Committee, Governance Committee, and Compensation Committee of the Corporation are each composed entirely of "independent" directors within the meaning of the CSA Disclosure Instrument. In addition, the independent members of the Board of Directors meet regularly without management or non-independent directors present. The Board has no formal mandate relative to leadership for its independent directors; however the Board is confident that the combination of experience, knowledge, and professionalism of its independent members is such that the independent directors do not require formal leadership to discharge their duties as independent directors.
g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Yes	The record of attendance of directors at Board and standing committee meetings during 2010 is set forth in <b>Schedule "B"</b> to this Information Circular.
2) <b>Board Mandate</b> - Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	Yes	The Board of Directors has adopted a formal board mandate, which is attached to this Information Circular as <b>Schedule "C"</b>

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
<b>3) Position Descriptions</b>		<p>The Board of Directors holds regular meetings to review the business and affairs of the Corporation and to make decisions relating thereto. The Board of Directors, in conjunction with management, participates in the strategic planning process, identifies the principal risks of the business and seeks to implement appropriate systems to manage these risks, as well as seeking to ensure the integrity of the internal controls and management information systems of the Corporation.</p>
<p>a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p>	<p>Yes</p>	<p>The Board of Directors has adopted formal terms of reference for each of the Executive Chairman and Board Chairman however it does not have written position descriptions for the chair of each board committee.</p> <p>The terms of reference of the Executive Chairman of the Board state that the Executive Chairman's primary role is to work with the President &amp; Chief Executive Officer of the Corporation and the Directors to ensure effective relations with the Board, Shareholders, other stakeholders and the public. Among other duties, the Board expects that the Executive Chairman has the responsibility to work in conjunction with the President &amp; CEO on major strategy issues, represent the Corporation in a general industry and community context, and provide advice on major policy issues.</p> <p>The terms of reference of the Board Chairman state that the Board Chairman's primary role is managing the affairs of the directors including chairing Board meetings, leading the directors in their proper organization, effective functioning and meeting their obligations and responsibilities. The directors expect the Board Chairman to provide leadership to enhance Board effectiveness and to facilitate their work as a cohesive group.</p>

**Required disclosure under  
the CSA Disclosure Instrument**

**Does the  
Corporation  
align?**

**Corporate Governance  
Practices of the Corporation**

- b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

Yes

Although there are no written terms of reference for each committee chair, the Board delineates the role and responsibilities of each committee chair with direct reference to the responsibilities of each committee as set forth in the written mandates for each committee. Each committee chair is looked upon to lead their respective committee's in discharging the duties and responsibilities of each committee. Similar to the responsibilities of the Board Chairman, each committee chair is expected to provide leadership to enhance committee effectiveness and oversee the committee's discharge of its duties and responsibilities. Committee chairs must report regularly to the Board of Directors on the business of their committee and the discharge of duties as set forth in the written committee mandates.

The Board of Directors has adopted a formal position description for the President & CEO. According to the position description, the President & CEO's primary responsibilities include: (i) providing overall leadership and vision in developing, in concert with the Board, the strategic direction of the Corporation, (ii) providing overall leadership and vision in developing the tactics and business plans necessary to realize the objectives of the Corporation, and (iii) managing the overall business to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the Board, and financial and operational objectives are attained.

The Board expects the President & CEO and his management team to be responsible for the management of the Corporation's strategic and operational agenda and for the execution of the decisions of the Board. The directors expect to be advised on a regular basis as to the results being achieved, and to be presented for approval alternative plans and strategies, in keeping with evolving business conditions. In addition to those matters which by law must be approved by the Board, the prior approval of the Board, or of a committee of the Board to which approval authority has been delegated by the Board, is required for all matters of policy and all actions proposed to be taken by the Corporation which are not in the ordinary course of operations. In particular, the Board approves the appointment of all officers of the Corporation and the Board approves all material transactions.

The Compensation Committee of the Corporation, together with the Executive Chairman of the Board and the President & CEO, develop each year goals and objectives that the President & CEO is responsible for meeting. The Compensation Committee and the Executive Chairman of

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
		<p>the Board evaluate the President &amp; CEO's performance in light of such goals and objectives and in consultation with and with approval of the Board of Directors establish the CEO's compensation based on this evaluation. The corporate objectives that the President &amp; CEO is responsible for meeting, with the rest of management placed under his supervision, are determined by the strategic plans and the budget as they are approved each year by the Board.</p>
<p><b>4) Orientation and Continuing Education</b></p>		
<p>a) Briefly describe what measures the board takes to orient new directors regarding</p> <p style="padding-left: 40px;">i) the role of the board, its committees and its directors, and</p> <p style="padding-left: 40px;">ii) the nature and operation of the issuer's business.</p> <p>b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>Yes</p> <p>Yes</p>	<p>The Governance Committee is responsible for developing, monitoring and reviewing the Corporation's orientation and continuing education programs for directors. The Governance Committee has developed the following orientation program:</p> <p>New directors will be provided with extensive information on the Corporation's business, its strategic and operational business plans, key documents, its operating performance, its financial position and the governance system of the Corporation and its subsidiaries. In addition, new directors will meet individually with the President &amp; CEO and other senior executives to discuss these matters.</p> <p>The program is designed to ensure that prospective candidates understand the role of the Board, as applicable, their respective committees and the contribution that individual directors are expected to make, including, in particular, the personal commitment expected of directors.</p> <p>The Executive Chairman of the Board, in consultation with the Governance Committee, monitors and reviews the continuing education programs for directors and ensures that directors have access to education and information on an ongoing basis and as required. Senior management makes regular presentations to the Board on the main areas of the Corporation's business. All Directors are members of the Institute of Corporate Directors and have access to educational tools provided by this organization.</p>
<p><b>5) Ethical Business Conduct</b></p>		
<p>a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:</p> <p style="padding-left: 40px;">i) disclose how a person or company may obtain a copy of the code;</p>	<p>Yes</p>	<p>The Corporation has adopted a Joint Code of Business Conduct (the "<b>Code</b>").</p> <p>The Code is accessible on the Corporation's website at <a href="http://www.liquorstoresna.ca">www.liquorstoresna.ca</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>. A paper copy is also available upon request from the Corporate Secretary of the Corporation.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
<p>ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p> <p>iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>		<p>The Code is distributed to and signed by each of the Corporation's salaried employees when they are hired.</p> <p>In addition, the Corporation conducts an annual certification process to monitor compliance with the Code and the Chief Operating Officer reports the results of such process to the Board on an annual basis.</p> <p>No such material change report has been filed during 2010.</p>
<p>b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	Yes	<p>In accordance with applicable law, when a conflict of interest arises, a director is required to disclose his or her interest and abstain from voting on the matter. In addition, the Board Chairman may ask the director or officer to leave the room during any discussion concerning such matter.</p>
<p>c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	Yes	<p>In addition to monitoring compliance with the Code, the Corporation and the Corporation have adopted various corporate policies that enhance the awareness of the importance of ethical business conduct and provide both employees and non-employees with a mechanism for reporting unethical or questionable acts including the Joint Whistleblower Policy and the Joint Disclosure, Confidentiality and Trading Policy.</p>
<b>6) Nomination of Directors</b>		
<p>a) Describe the process by which the board identifies new candidates for board nomination.</p>	Yes	<p>The Governance Committee of the Board is responsible for developing, reviewing and monitoring criteria, as well as establishing procedures for selecting directors by regularly assessing the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the directors and the circumstances and needs of the Corporation and its subsidiaries. The committee identifies candidates qualified to become Board members and selects or recommends that the Directors select nominees for the next annual meeting of Shareholders</p>
<p>b) Disclose whether or not the board has a nominating committee composed</p>	Yes	<p>The Governance Committee is currently comprised of five (5) directors, all of whom are "independent" within the</p>

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.		meaning of the CSA Disclosure Instrument.
c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Yes	<p>The Directors have adopted a formal charter for the Governance Committee.</p> <p>The charter of the Governance Committee with respect to governance matters provides that the committee is responsible for overseeing the functioning and assessment of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles. Among other things, the committee is responsible for monitoring the composition and performance of the Board and its committees. The committee identifies candidates qualified to become Board members and regularly assesses the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the Board members and the circumstances and needs of the Corporation. The committee also reviews annually the performance and effectiveness of the Board, its committees, committee chairs and Board members.</p>
<b>7) Compensation</b>		
a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	Yes	<p>The compensation of the Board of Directors is determined annually by the Board based on the reviews and recommendations of the Governance Committee, and the compensation of senior officer's is determined annually by the Board based on the reviews and recommendations of the Compensation Committee (and, with respect to the compensation of the President &amp; Chief Executive Officer, based upon a recommendation from the Executive Chairman).</p>
b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	Yes	<p>All members of the Compensation Committee are "independent" within the meaning of the CSA Disclosure Instrument.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	Yes	As noted above, the Board has adopted a formal charter for the Compensation Committee.  The charter of the Compensation Committee with respect to compensation matters provide that the committee's responsibilities include oversight of director and officer and employee remuneration and compensation, oversight of the evaluation of management of the Corporation, including the President & CEO and reviewing the effectiveness of the Corporation's human resources and development, succession planning and performance evaluation programs for senior executives. The committee recommends the appointment of officers, including the terms and conditions of their appointment and termination, and reviews the evaluation of the performance of the Corporation's officers, including recommending their compensation. In collaboration with the Executive Chairman of the Board, the committee also reviews the CEO's corporate goals and objectives and evaluates his performance in light of such goals and objectives. The committee also oversees management's implementation of appropriate human resources systems, such as hiring policies, training and development policies and compensation structures with a view to enabling the Corporation to attract, motivate and retain quality executives and personnel. The Compensation Committee reports its findings to the Board.
d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.		Towers Watson was engaged in 2010 for advice in relation to the effect of the Reorganization upon certain executive employment agreements. Towers Watson did not provide any other advice or services.
8) <b>Other Board Committees</b> — If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Yes	The Board of Directors and has no standing committees other than the Audit, Compensation, and Governance Committees.

Required disclosure under the CSA Disclosure Instrument	Does the Corporation align?	Corporate Governance Practices of the Corporation
<p>9) <b>Assessments</b> — Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>Yes</p>	<p>In 2010, an assessment of the performance and effectiveness of the Board, committees, the Executive Chairman of the Board, Board Chairman, committee chairs and individual directors was undertaken, led by the Governance Committee of the Board.</p>

**SCHEDULE "B"**

**RECORD OF ATTENDANCE BY DIRECTORS  
For the year ended December 31, 2010**

<b>Directors</b>	<b>Number of meetings attended</b>		
	<b>Regular / Quarterly Directors Meetings</b>	<b>Special Meetings*</b>	<b>Standing Committees</b>
Henry Bereznicki	4 of 4	7 of 7	n/a
R. John Butler	4 of 4	6 of 7	15 of 15
Gary Collins	4 of 4	5 of 7	12 of 15
Jim Dinning	4 of 4	6 of 7	13 of 15
Robert S. Green	4 of 4	7 of 7	10 of 10
Glen H. Heximer	4 of 4	7 of 7	15 of 15
Irving Kipnes	4 of 4	6 of 7	n/a
David B. Margolus	4 of 4	7 of 7	10 of 10
Richard J. Crook	4 of 4	7 of 7	n/a

**Summary of Director and Standing Committee meetings held**

Regularly / Quarterly Directors	4
Special Directors*	7
Audit	5
Compensation	5
Governance	5

**LIST OF 2010 STANDING COMMITTEE MEMBERS**

**AUDIT COMMITTEE** - Glen H. Heximer, *Committee Chair*, R. John Butler, Gary Collins, Jim Dinning, Robert S. Green

**COMPENSATION COMMITTEE** - Gary Collins, *Committee Chair*, R. John Butler, Jim Dinning, Glen H. Heximer, David B. Margolus, Robert S. Green

**GOVERNANCE COMMITTEE** - R. John Butler, *Committee Chair*, Gary Collins, Jim Dinning, Glen H. Heximer, David B. Margolus

**\*Special meetings refer to meetings of the Board of Directors which occurred outside of the regularly-scheduled quarterly meetings of the Board of Directors.**

## SCHEDULE "C"

### LIQUOR STORES N.A. LTD. MANDATE FOR THE BOARD OF DIRECTORS

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

The Board is elected by the shareholders of the Corporation and is responsible for the stewardship of the affairs of the Corporation. The Board seeks to discharge such responsibility by reviewing and discussing the strategies and plans of management ("**Management**") of the Corporation and its subsidiaries and supervising Management and monitoring the performance of the Corporation and its subsidiaries. Further, each member of the Board acknowledges that in connection with his or her service to the Corporation, if required, he or she shall also agree serve on the Board of Directors of the GP, and in serving in such capacity he or she shall exercise his or her voting and management rights respecting the GP (the general partner of the LP).

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the Corporation and by overseeing and monitoring Management to ensure a culture of integrity is maintained. The Board seeks to discharge this responsibility by satisfying itself as to the integrity of the senior management of the Corporation, and by overseeing and monitoring Management to ensure a culture of integrity is maintained.

Although directors may be nominated or elected by shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Corporation and its shareholders must be paramount at all times.

#### **Duties of Directors**

The Board discharges its responsibilities directly and through its committees, the Compensation Committee, the Governance Committee and the Audit Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary role of overseeing the affairs of the Corporation (and its subsidiaries), principal duties include, but are not limited to the following categories, all subject to the terms of the Governance Agreements:

#### **Oversight Responsibility**

1. The Board has the responsibility for approving the appointment of the Executive Chairman, Chairman, Chief Executive Officer and any other officers of the Corporation (collectively, the "**Officers**"), and approving the compensation of the Executive Chairman, Chairman, Chief Executive Officer and other officers and senior employees of the Corporation and the GP following a review of the recommendations of the Compensation Committee.
2. The Board has delegated authority to the Chief Executive Officer for the overall management and operations of the Corporation to ensure the long term success of the Corporation. The Board has also delegated the responsibility to ensure that the Limited Partnership Agreement governing the LP is complied with to the Executive Chairman and Chief Executive Officer. The Chief Executive Officer will work in conjunction with the Executive Chairman on strategy related issues to ensure the long term success of the Corporation. This delegation is subject to the General Authority Guidelines in Appendix "A" that requires either prior authorization by the Board or periodic review by the Board in respect of specified matters.
3. The Board may from time to time delegate authority to the Corporation's Officers, subject to specified limits. Matters that are outside the scope of the authority delegated to the Officers and material transactions are reviewed by and subject to the prior approval of the Board.

4. The Board is responsible for monitoring the performance of Management with respect to the operations of the Corporation and with respect to compliance with the Governance Agreements.

### **Monitoring of Financial Performance and Other Financial Reporting Matters**

5. The Board has oversight responsibility for reviewing and questioning the strategies and plans of the Corporation (and its subsidiaries, including but not limited to the GP and the LP).
6. The Board has oversight responsibility for reviewing systems for managing the principal risks of the Corporation's business including insurance coverages, conduct of material litigation and the effectiveness of internal controls.
7. The Board is responsible for considering appropriate measures it may take if the performance of the Corporation falls short of their goals or other special circumstances warrant.
8. The Board shall be responsible for approving the unaudited financial statements and the notes of the Corporation and shall be responsible to review the consolidated financial statements of the Corporation, the GP and the LP and shall provide its recommendation for approval of such consolidated financial statements to the audit committee of the Corporation.
9. The Board is responsible for reviewing and approving material transactions involving the Corporation, the GP or the LP, and those matters which the Board is required to approve under its governing legislation and the Governance Agreements, including the payment of dividends, acquisitions and dispositions of material assets by the GP or the LP and material expenditures by the Corporation, the GP or the LP.
10. As parent company of the GP, the Board is responsible for reviewing and directing how the GP will exercise its voting and managerial rights in respect of matters relating to the LP.
11. The Board has responsibility for effectively monitoring the principal risks of the Corporation (and its subsidiaries).

### **Board Organization**

12. The Board will respond to recommendations received from the Compensation, Governance and Audit Committees, but retains the responsibility for managing its own affairs by giving approval for its composition, the selection of the Executive Chairman, Chairman, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
13. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and Management, the approval of interim financial results, the conduct of performance evaluations and oversight of internal control systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

### **Policies and Procedures**

14. The Board is responsible for:
  - (a) approving and monitoring compliance with all significant policies and procedures by which the Corporation is operated;
  - (b) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and

- (c) enforcing obligations of the directors respecting confidential treatment of the Corporation's proprietary information and Board deliberations.

15. The Board has approved a Joint Disclosure Policy respecting communications to the public.

### **Communications and Reporting**

16. The Board is responsible for:

- (a) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, on a timely and regular basis;
- (b) overseeing that the financial results of the Corporation are reported fairly and in accordance with generally accepted accounting standards;
- (c) ensuring the integrity of the internal control and management information systems of the Corporation; and
- (d) taking steps to enhance the timely disclosure to the Corporation of any other developments that have a significant and material impact on the Corporation to enable the Corporation to comply with its timely disclosure obligations.

## **APPENDIX "A" TO SCHEDULE "C"**

### **LIQUOR STORES N.A. LTD. GENERAL AUTHORITY GUIDELINES**

#### **AUTHORITY OF THE MANAGEMENT**

The Corporation may have an Executive Chairman, Chairman and may have a Chief Executive Officer.

The Chief Executive Officer is responsible for overall management and operations of the Corporation. The Chief Executive Officer will work in conjunction with the Executive Chairman on strategy related issues to ensure the long term success of the Corporation.

This responsibility is subject to the provisions of applicable law, the articles and by-laws of the Corporation, the Governance Agreements and any particular direction or resolution of the Board of Directors, except for the following matters that require the specific authorization of the Board or a Board committee. In addition, certain matters identified below will be subject to periodic review by the Board or a Board committee.

The delegation contemplated by these guidelines shall include the authority to establish areas of responsibility and limits of authority for members of management of the Corporation and its subsidiaries.

#### **MATTERS REQUIRING DIRECTORS OR COMMITTEE OF DIRECTORS APPROVAL OR REVIEW**

##### **I. Organizational Changes and Policy**

1. Subject to the discretionary limits set out in paragraphs 6, 7 and 8 below, approve major changes to the organization of the Corporation or its respective subsidiaries, such as the creation or divestiture of investments or acquisitions.
2. Approve the adoption of or changes to the Corporation's policies with application to the conduct of directors, including the Joint Disclosure Policy of the Corporation.
3. Review of adherence to the policies of the Corporation.
4. Approve any proposed changes to the Corporation's articles or by-laws or the Governance Agreements.

##### **II. Budgets, Plans and Commitments**

5. Review and approve the annual budget of the Corporation, the LP and the annual budget for the GP, if any.
6. Approve any capital commitments in any year not contained in the approved budgets of the Corporation, the LP, and the GP over \$300,000 in aggregate.
7. Approve any single capital commitment for an acquisition or acquisitions exceeding \$3,000,000 (inclusive of related store development costs), in aggregate.
8. Approve any single divestiture of more than \$3,000,000.
9. Approve long range business planning in accordance with the policies of the Corporation.

10. Approve major agreements or long-term leases outside the ordinary course of business of the Corporation (and its subsidiaries), including, without limitation, approving all related party agreements and or related party leases.

### **III. Financial and Corporate**

11. Approve the annual audited financial statements of the Corporation.
12. Approve the interim financial statements of the Corporation.
13. Approve the dividend policy of the Corporation, including approving declaration of dividends of the GP and the LP, if any.
14. Approve changes in authorized capital, issuance or repurchase of shares, debt securities and related prospectuses or trust indentures, if any.
15. Generally review operating and financial performance relative to budgets and objectives.
16. Review significant changes in accounting practices or policies.
17. Approve all borrowing, hedging, credit agreements, amendments to credit agreements, and the granting of guarantees and/or letters of credit outside the ordinary course of business or pursuant to related party agreements and/or leases.
18. Review significant changes in accounting practices or policies.

### **IV. External Auditors of the Corporation**

19. Approve appointment of external auditors, establishment of their fees and annual audit plan.
20. Review independence of external auditors.
21. Review findings of external audit review and Management's response.
22. Review the Corporation's conduct of litigation that could materially affect the financial condition of the Corporation or its subsidiaries.
23. Review effectiveness of internal control procedures.

### **V. Insurance Matters**

24. Risk Management.
25. Review the Corporation's risk management and insurance coverage.

### **VI. Management and Human Resources**

26. Approve appointment or removal of any of the Corporation's Officers;
27. Confirm appointments of other officers.
28. Evaluate performance of the Executive Chairman, Chairman and the Chief Executive Officer.

29. Approve compensation for the Corporation's Officers.
30. Approve contracts of the Corporation's Officers including special termination provisions or payments.
31. Approve adoption of share purchase or other share-based compensation arrangements, if any.
32. Approve short-term and long-term incentive plan criteria, targets and awards, if any, in so far as such plans are a direct activity of the Corporation.
33. Review the Corporation's Officers succession plans.



**LIQUOR STORES N.A. LTD.**