

# LIQUOR DEPOT

LIQUOR STORES INCOME FUND

August 2008



# The Liquor Industry

- Attractive growing industry
  - 5.0% CAGR to 2007 in Alberta
  - 5.7% CAGR from 2001 to 2007 in B.C.





# Favorable Regulatory Environment

## Alberta

- Legislated “level playing field”
  - Separate and distinct business requirement in the Alberta Act
  - Uniform wholesale and postage stamp delivery costs

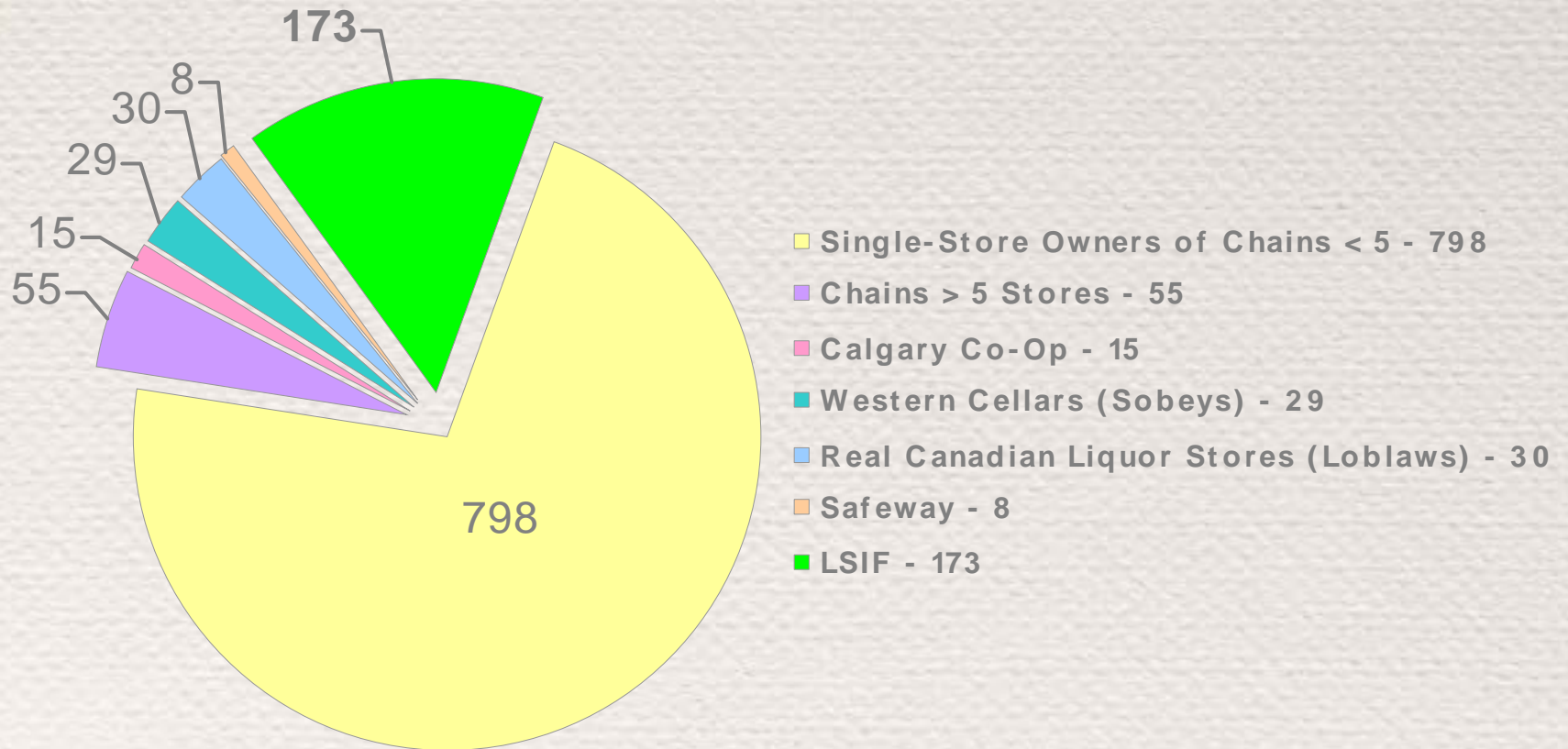
## British Columbia

- Partially privatized industry with both government (200 ±) and private retail liquor stores (630 ±)
  - Product sold to privately-owned stores at a 16% discount rate



# Alberta - Competition

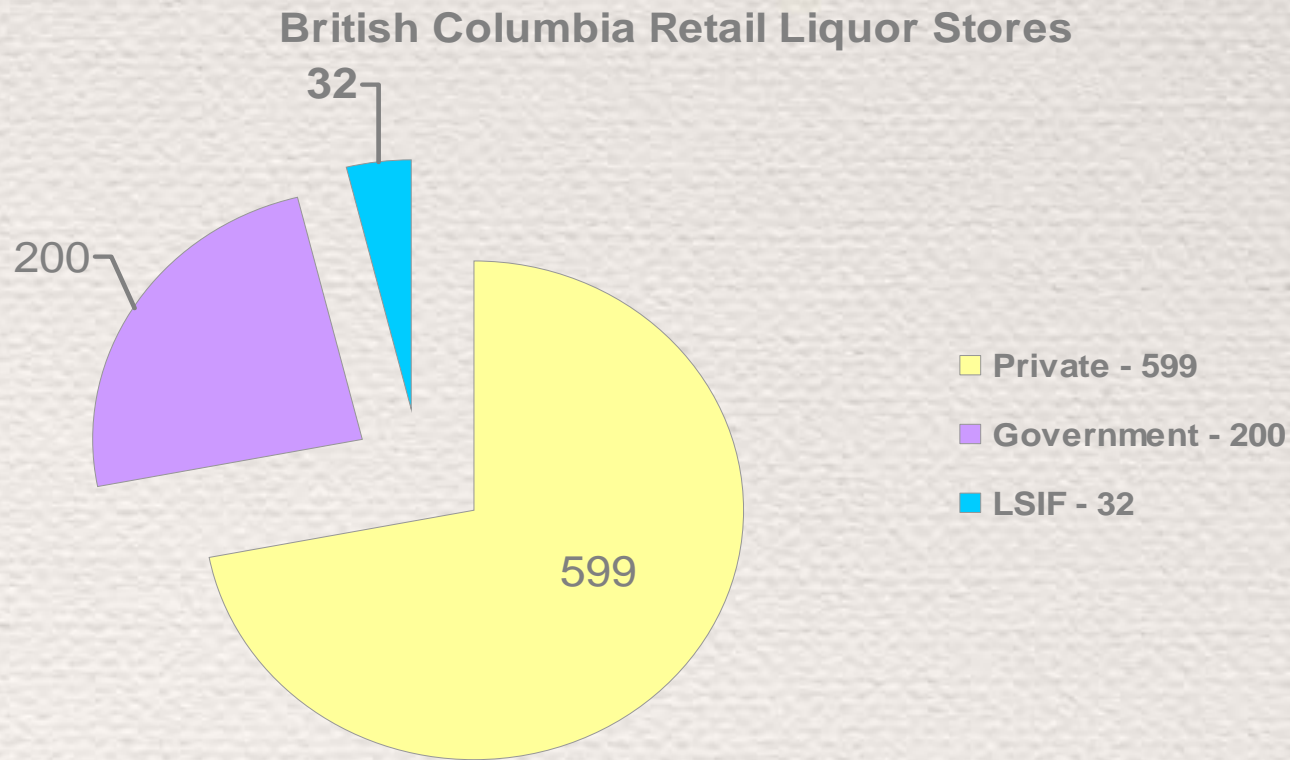
## Alberta Retail Liquor Stores



**Total Stores Alberta (July 2008) – 1108 approximately**  
(Source: Alberta Liquor and Gaming Commission)



# British Columbia - Competition



**Total Stores British Columbia (March 2008) – 831**  
(Source: British Columbia Liquor Distribution Branch)

# Liquor Stores Income Fund

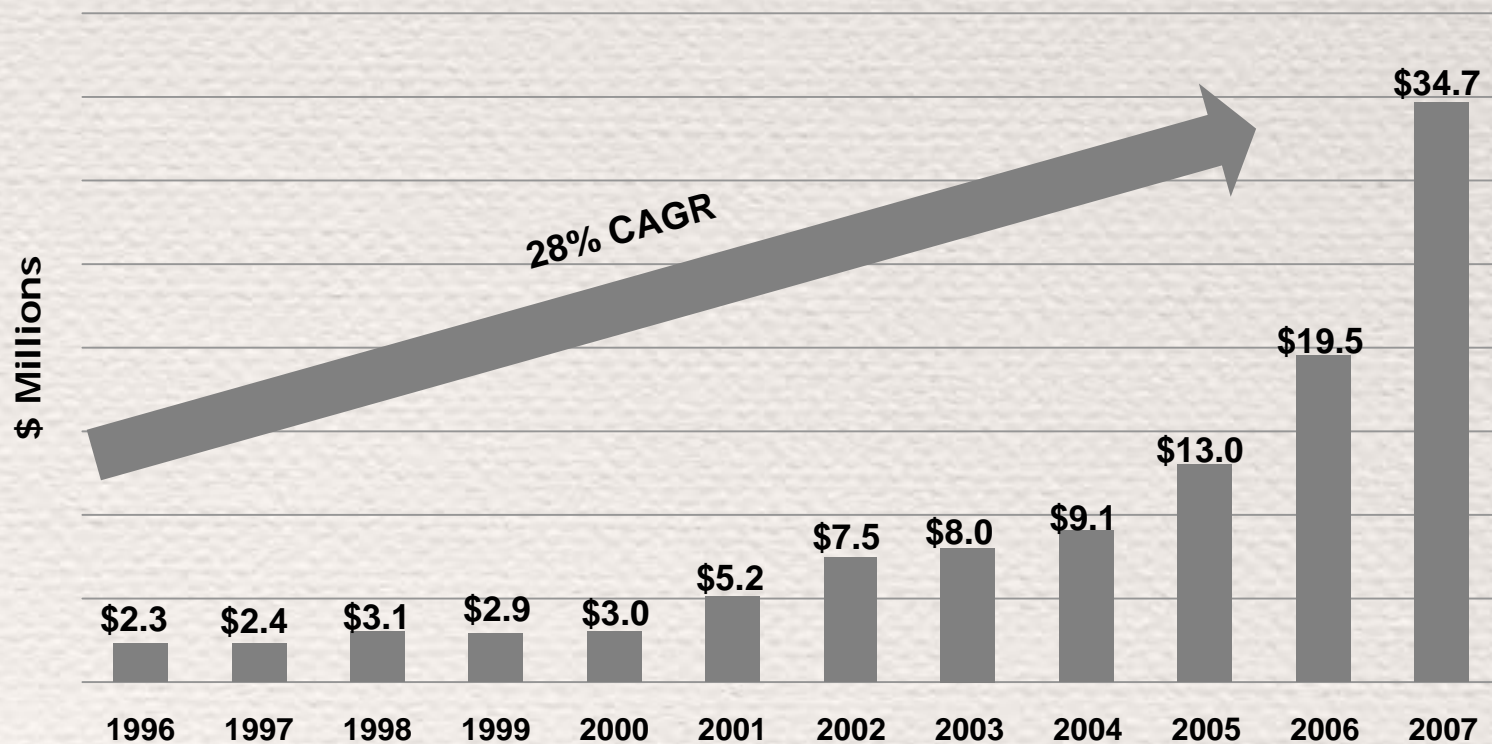
- Ideal income fund assets
- Stable revenues & margins with EBITDA CAGR growth of 28% since 1996
- Alberta's largest liquor store retailer by number of stores and by sales



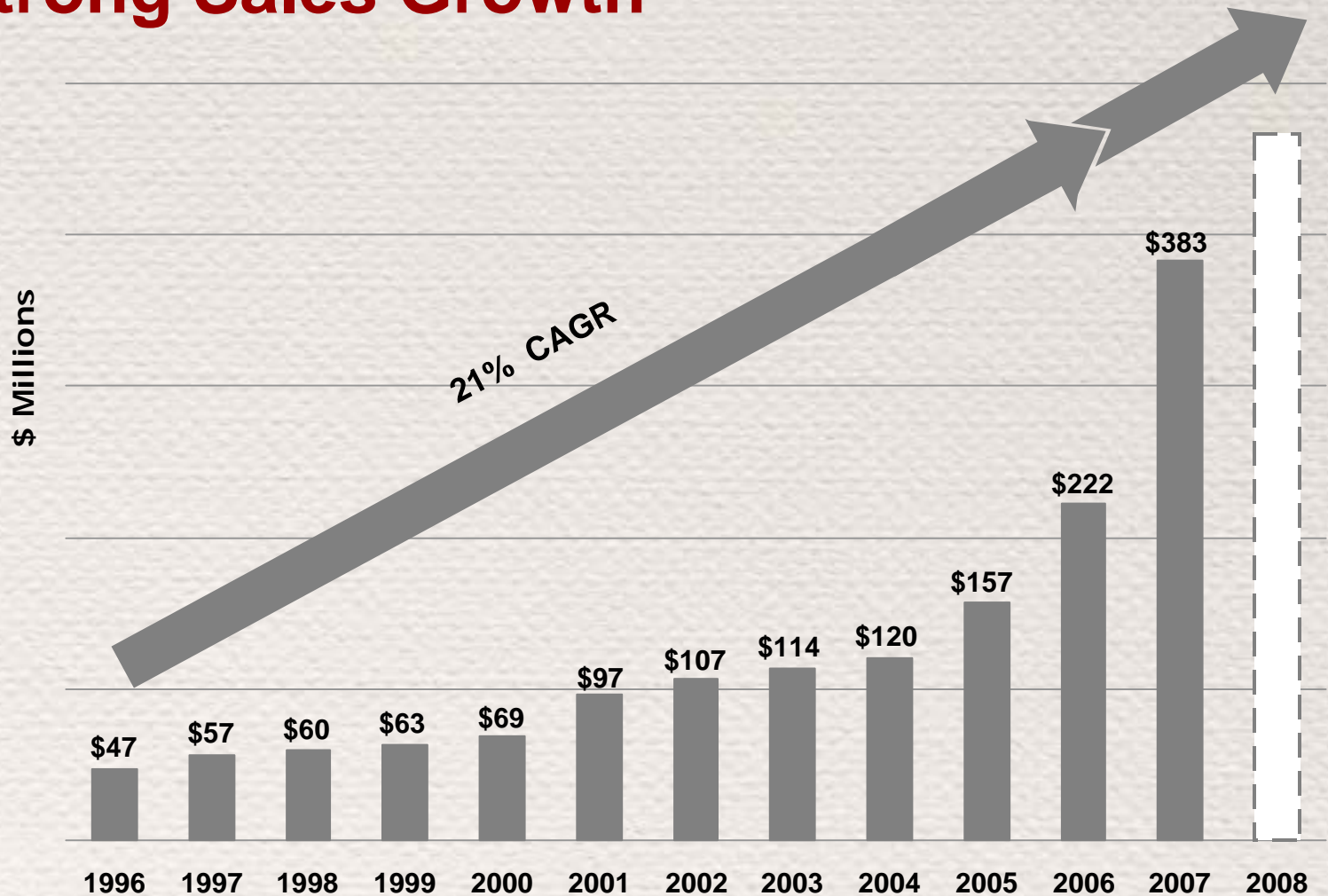
**Note: Many of the numbers contained in this presentation are non-GAAP measures.**



# Reliable and Growing EBITDA

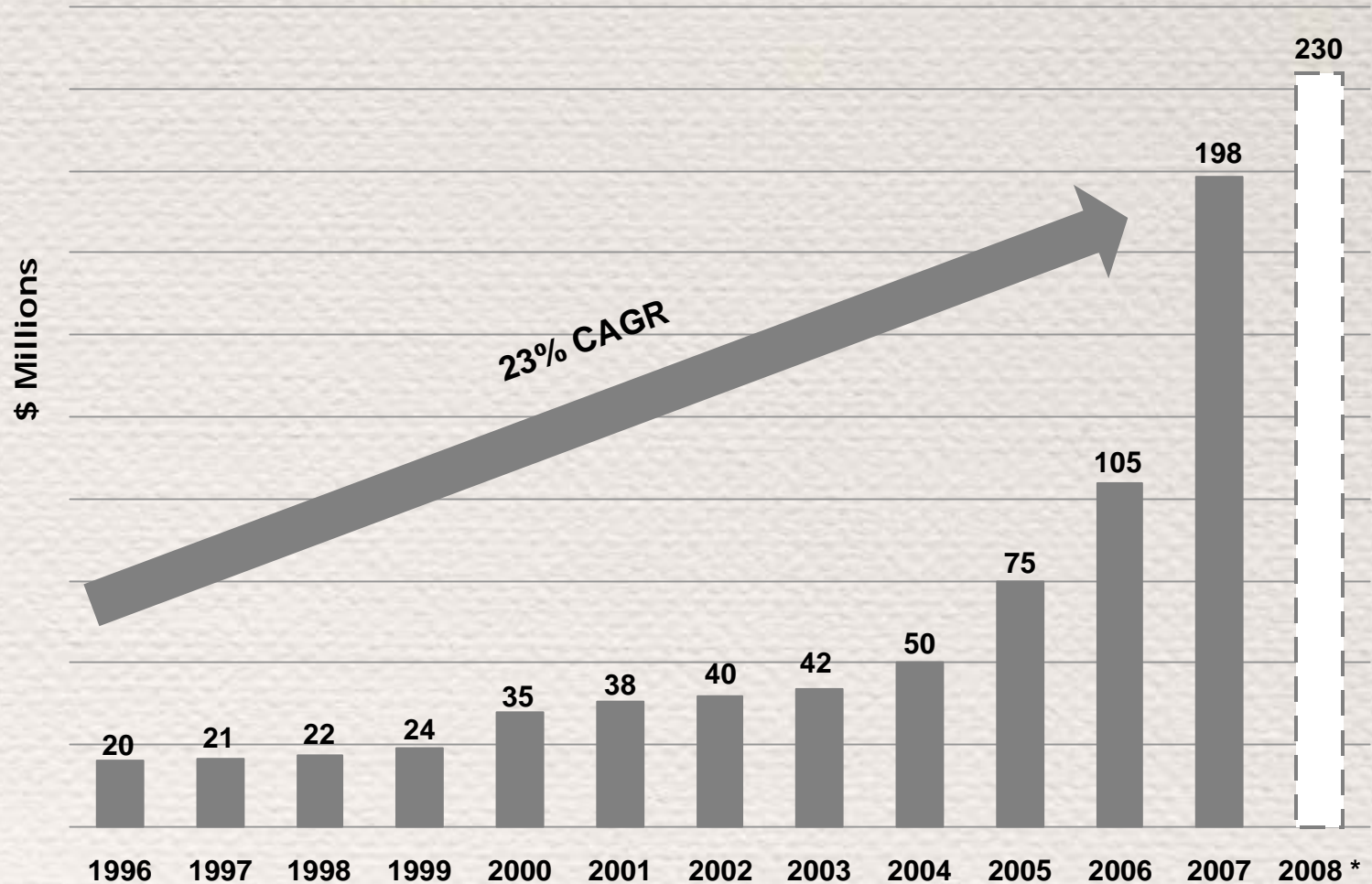


# Strong Sales Growth





# Track Record of Consistent Store Growth



\* Forecasted number of stores for 2008, with growth of 32 stores, including 19 Brown Jug stores in Alaska.

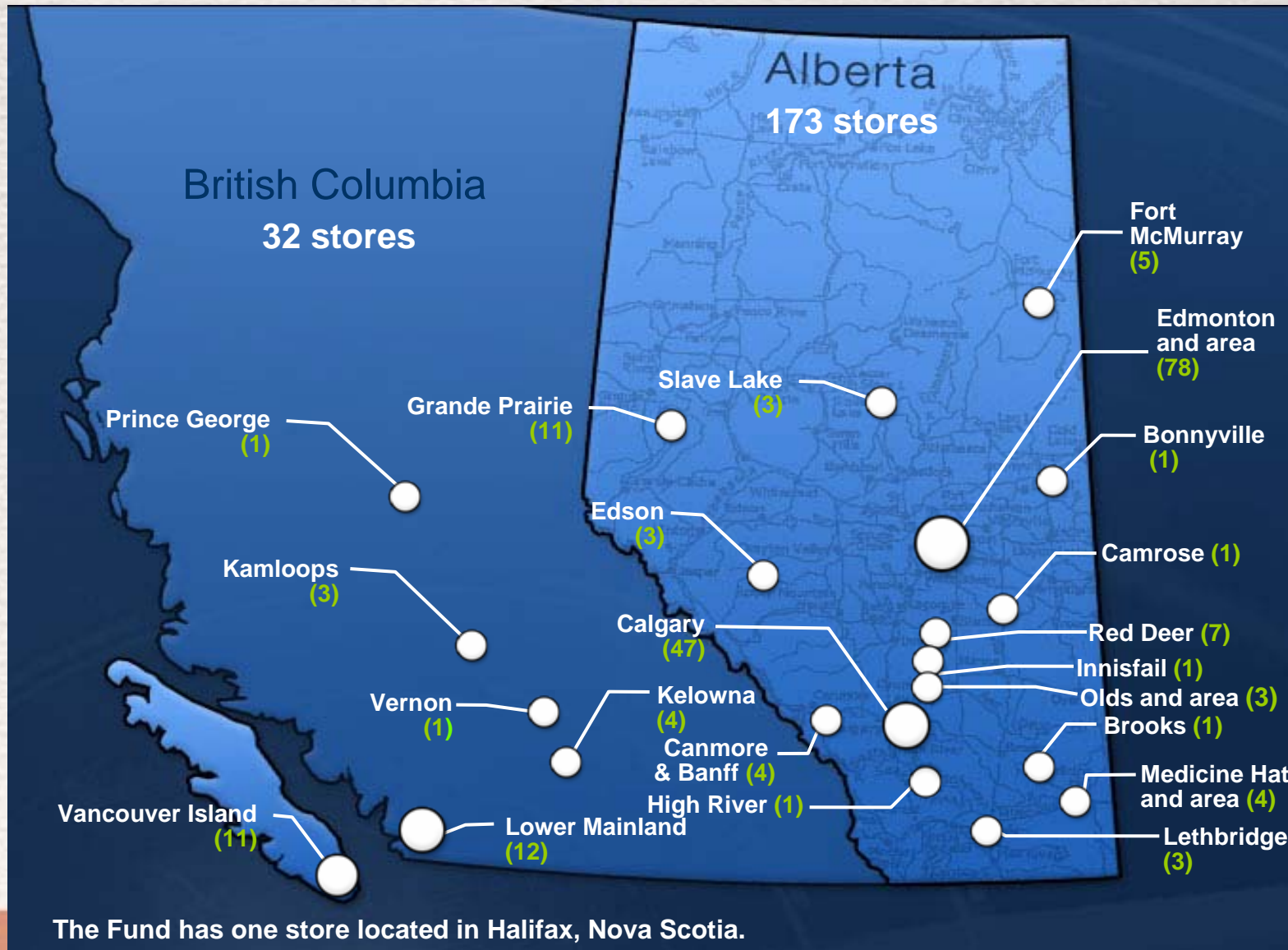
# Success Factors

- Convenient locations
  - Strong real estate expertise
- Liquor products comprise 99%+ of sales
  - Very experienced liquor store operators since 1993
- Cash business
- Proven strategies for continued growth





# Store Locations – BC and Alberta



# Outstanding Product Merchandising

- Major competitive advantages
  - Optimal traffic flow
  - Upscale attractive store designs
  - Broader product offerings
  - Higher margin product focus
- Our average sales in Alberta stores are \$2.2 million compared to industry average of \$1.5 million
- Average sales in our British Columbia stores are approximately \$2.6 million





# Strong Financial Capacity

- Raised \$93 million on three issuances of units since IPO
- Raised \$55 million on issuances of convertible subordinated debentures
- \$120 million credit facility
- At August 13, 2008, the Fund has substantial funds available for acquisition & development activities



# Strong Alignment with Unitholders

- Executive management, directors, and IPO vendors currently hold >15.9% of units outstanding



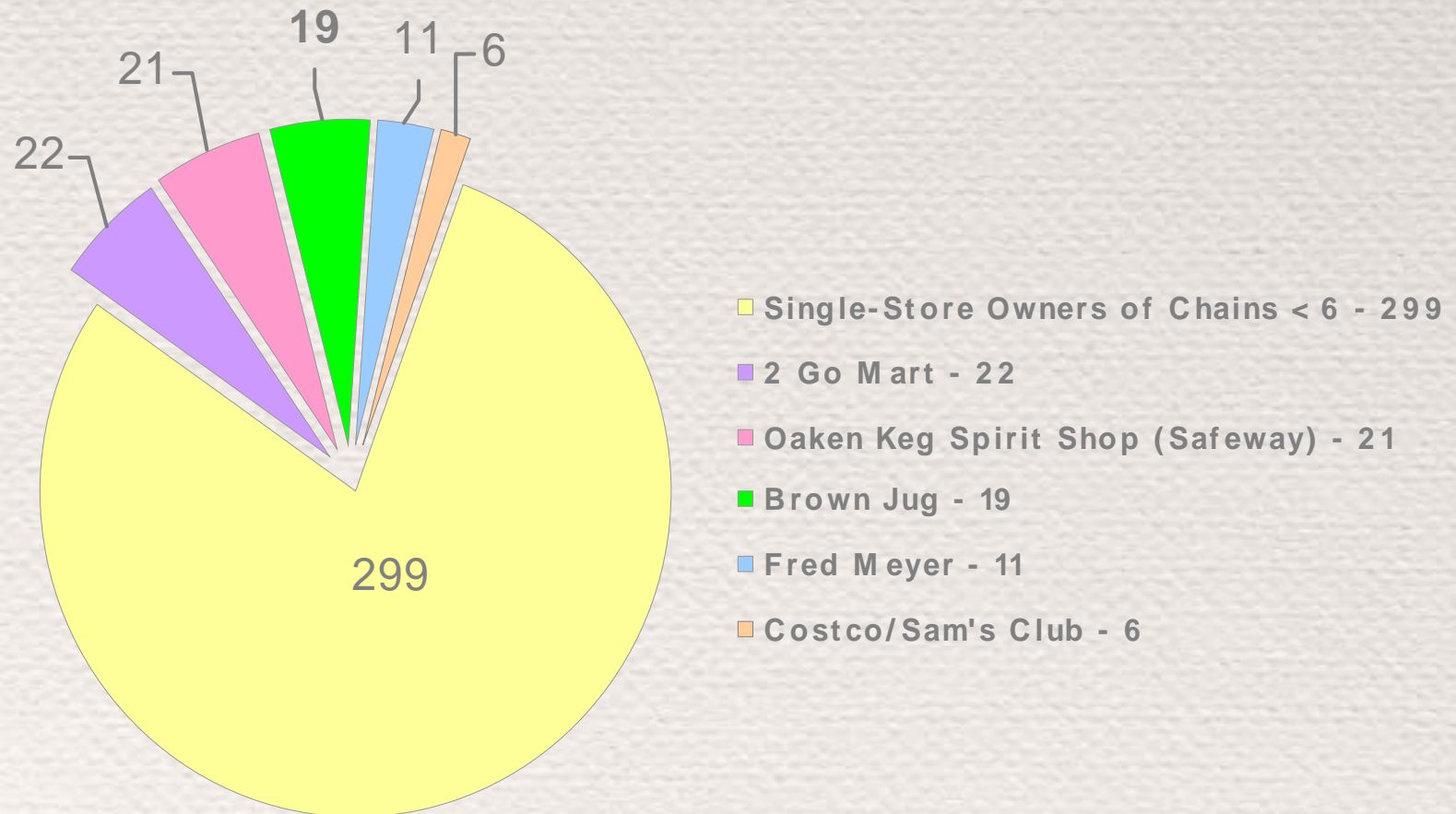


# 2008 Highlights

- New stores
  - 11 additional stores acquired or opened in 2008 to date, including one in Nova Scotia
  - Agreement to acquire 19 liquor stores from Brown Jug Inc. in greater Anchorage, Alaska and commitments to open five additional Canadian stores
- Strategic and financial benefits of Brown Jug Inc. acquisition
  - Attractive opportunity to enter a new market with a significant acquisition of liquor stores with an established brand
  - Increased regional diversification to enhance stability of cash flow
  - 9% increase in the number of stores under operation
  - Attractive purchase price representative of historical acquisitions in Alberta
  - Approximately 5% accretive to current distributable cash per unit in the first full year of operation, generating \$0.09 per unit
  - Contributions of US \$3.5 million annually to EBITDA

# Alaska - Competition

## Alaska Retail Liquor Stores



**Total Stores Alaska - 378 approximately**  
(Source: Alcohol Beverage Control)



# Cash Distributions

- Cash distributions
  - Initial Distribution - \$1.00
  - To date five increases in distributions:
    - May 2005 - 7.5% to \$1.075 per year
    - February 2006 - 11.6% to \$1.20 per year
    - November 2006 - 16.7% to \$1.40 per year
    - March 2007 - 7.1% to \$1.50 per year
    - December 2007 - 8.0% to \$1.62 per year



## Operating Results for the quarter ended June 30, 2008

	2008		2007			
	Fund		Proforma <sup>(1)</sup>		Fund <sup>(3)</sup>	
	\$	% of sales	\$	% of sales	\$	% of sales
<b># of Stores</b>	204		188		188	
<b>Sales</b>	121.6	100.00%	117.1	100.00%	83.2	100.00%
<b>Same store sales</b>	97.6	80.26%	99.5	84.97%	57.4	68.99%
<b>Operating margin</b>	10.2	8.36%	5.3	4.52%	7.2	8.59%
<b>Non-recurring items <sup>(2)</sup></b>	0.2	0.17%	4.5	3.83%	0.2	0.22%
<b>Operating margin before non-recurring items</b>	10.4	8.53%	9.8	8.35%	7.4	8.81%
<b>Distributable cash/unit after non-recurring items</b>	0.41	-	-	-	0.41	-
<b>Distributions declared/unit</b>	0.41	-	-	-	0.38	-

- (1) Fund Proforma refers to the combined 2007 second quarter results of the Fund, which include results from Liquor Barn stores for the period June 8 to 30, 2007, and Liquor Barn Income Fund for the period April 1 to June 7, 2007.
- (2) Non-recurring items for the three months ended June 30, 2008 include certain professional and consulting fees. Non-recurring items in the second quarter of 2007 for the 2007 Fund Proforma were expenses incurred by Liquor Barn that related to the Fund's successful offer; and for the 2007 Fund results non-recurring items were head office moving costs and Liquor Barn acquisition expenses.
- (3) Amounts include partial months of operations for 13 stores acquired during the period.



## Operating Results for the six months ended June 30, 2008

	2008		2007			
	Fund		Proforma <sup>(1)</sup>		Fund <sup>(3)</sup>	
	\$	% of sales	\$	% of sales	\$	% of sales
<b># of Stores</b>	204		188		188	
<b>Sales</b>	216.0	100.00%	201.0	100.00%	135.0	100.00%
<b>Same store sales</b>	171.2	79.26%	172.2	85.67%	100.7	74.59%
<b>Operating margin</b>	15.1	7.00%	9.3	4.65%	10.4	7.69%
<b>Non-recurring items <sup>(2)</sup></b>	0.7	0.33%	4.5	2.26%	0.2	0.13%
<b>Operating margin before non-recurring items</b>	15.8	7.33%	13.9	6.91%	10.6	7.82%
<b>Distributable cash/unit after non-recurring items</b>	0.60	-	-	-	0.64	-
<b>Distributions declared/unit</b>	0.81	-	-	-	0.73	-

- (1) Fund Proforma refers to the results of the Fund for the six months ended June 30, 2007, which includes results from Liquor Barn stores for the period June 8 to 30, 2007, and Liquor Barn Income Fund for the period January 1 to June 7, 2007.
- (2) Non-recurring items for the six months ended June 30, 2008 include recruitment and relocation expenses as well as certain consulting and professional fees. Non-recurring items in the first six months of 2007 for the 2007 Fund Proforma were expenses incurred by Liquor Barn that related to the Fund's successful offer; and for the 2007 Fund results, non-recurring items were head office moving costs and Liquor Barn acquisition expenses.
- (3) Amounts include partial months of operations for 17 stores acquired during the period.

# Historic Unit Price

Liquor Stores Income Fund Unit Price





# Risk Factors

The Fund's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Units are subject to a number of risks. These risk factors include: risks relating to government regulation; competition; its ability to locate, secure and maintain acceptable store sites and to adapt to changing market conditions; risks relating to future acquisitions and development of new stores; failure to successfully integrate acquisitions; dependence on key personnel; the Fund's ability to hire and retain staff at acceptable wage levels; risks related to the possibility of future unionization; supply interruption or delays; reliance on information and control systems; dependence on capital markets to fund its growth strategy beyond its available credit facilities; dependence of the Fund on Liquor Stores LP; leverage and restrictive covenants in agreements relating to current and future indebtedness of Liquor Stores LP; restrictions on the potential growth of Liquor Stores LP as a consequence of the payment by Liquor Stores LP of a substantial amount of their respective operating cash flow and income tax related risks including the SIFT Rules.

For a discussion of these risks and other risks associated with an investment in Units, see "Risk Factors" detailed in the Fund's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

# Non-GAAP Measures

References to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization and references to “distributable cash” are to cash available for distribution to unitholders in accordance with the distribution policies of the Fund. Management believes that, in addition to income or loss, EBITDA and cash available for distribution before debt service, changes in working capital, capital expenditures and income taxes are useful supplemental measures of performance. Distributable cash of the Fund is a measure generally used by Canadian open-ended trusts as an indicator of financial performance. As one of the factors that may be considered relevant by unitholders and prospective investors is the cash distributed by the Fund relative to the price of the Fund’s trust units, management believes that distributable cash of the Fund is a useful supplemental measure that may assist unitholders and prospective investors in assessing an investment in the Fund.

For a reconciliation of distributable cash to cash provided by operating activities please see “Distributable cash per unit (Fund Units and Exchangeable Units)”.

Operating margin for purposes of disclosure under “Operating Results” has been derived by adding interest expense, amortization of inventory fair value adjustments, and amortization of property and equipment, intangibles and pre-opening costs to net earnings before non-controlling interest. Operating margin as a percentage of sales is calculated by dividing operating margin by sales. Operating margin before non-recurring items has been derived by adding non-recurring items to operating margin as described above.

“Payout ratio” is calculated by dividing cash distributions declared by distributable cash.

Operating margin, operating margin as a percentage of sales, distributable cash, EBITDA and payout ratio are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin, operating margin as a percentage of sales, distributable cash, EBITDA and payout ratio should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating operating margin, operating margin as a percentage of sales, distributable cash, EBITDA and payout ratio may differ from the methods used by other issuers. Therefore, the Fund's operating margin, operating margin as a percentage of sales, distributable cash, EBITDA and payout ratio may not be comparable to similar measures presented by other issuers.



# Forward Looking Information

This presentation contains forward-looking statements. All statements other than statements of historical fact contained in this presentation are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, business strategy, proposed or recent acquisitions and the benefits to be derived therefrom, budgets, litigation, projected costs and plans and objectives of or involving the Fund or Liquor Stores LP. You can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of the distributions of the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this management's discussion and analysis. There can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under "Risk Factors".

The information contained in this presentation, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund and Liquor Stores LP.

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