

ANNUAL AND SPECIAL MEETING

Friday, May 12, 2006

2 p.m. at The Fairmont Hotel Macdonald

10065 – 100th Street

Edmonton, Alberta



**Notice of Annual and Special Meeting of
Unitholders and Management Proxy Circular**

LIQUOR STORES INCOME FUND

NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

TO: THE UNITHOLDERS OF LIQUOR STORES INCOME FUND

TAKE NOTICE that an Annual and Special Meeting (the "**Meeting**") of the holders ("**Unitholders**") of trust units and special voting units of Liquor Stores Income Fund (the "**Fund**") will be held in the Wedgewood Room of The Fairmont Hotel Macdonald, 10065 – 100th Street, Edmonton, Alberta, on Friday, May 12, 2006, at 2:00 p.m. (Edmonton time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Fund for the year ended December 31, 2005 and the auditors' report thereon;
2. to appoint the trustees of the Fund;
3. to appoint auditors of the Fund;
4. to consider and, if thought appropriate, pass an ordinary resolution approving the Fund's amended and restated long term incentive plan;
5. to consider and, if thought appropriate, pass a special resolution approving certain amendments to the amended and restated declaration of trust of the Fund; and
6. 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 - Proxy Statement accompanying and forming part of this Notice.

Unitholders 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 Proxy Dept., CIBC Mellon Trust Company, 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9 (or by facsimile to 416-368-2502). 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 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 12, 2006 (the "**Record Date**"). Unitholders of record will be entitled to vote those trust units and special voting units included in the list of Unitholders prepared as at the Record Date at the Meeting. No Unitholder who becomes a Unitholder after the Record Date shall be entitled to vote at the Meeting.

DATED this 13th day of April, 2006.

BY ORDER OF THE TRUSTEES OF LIQUOR STORES INCOME FUND

(Signed) "*Jim Dinning*"
Chairman, The Board of Trustees
Liquor Stores Income Fund

LIQUOR STORES INCOME FUND

INFORMATION CIRCULAR

(Containing information as at April 13, 2006 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 trustees (the "**Trustees**") of Liquor Stores Income Fund (the "**Fund**") for use at the annual and special meeting (the "**Meeting**") of holders ("**Unitholders**") of trust units ("**Units**") and special voting units ("**Special Voting Units**", and together with the Units, the "**Voting Units**") of the Fund to be held in the Wedgewood Room of The Fairmont Hotel Macdonald, 10065 – 100th Street, Edmonton, Alberta, at 2:00 p.m. (Edmonton time), on Friday, May, 12, 2006, 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 Trustees of the Fund and by the directors, officers and regular employees of Liquor Stores GP Inc. ("**Liquor Stores GP**"), as administrator of the Fund, who will not be specifically remunerated therefor. All costs of solicitation of proxies by or on behalf of the Trustees will be borne by Liquor Stores GP, as administrator of the Fund.

Appointment of Proxies

The persons named in the accompanying Form of Proxy are directors and officers of Liquor Stores GP Inc., the administrator of the Fund. A Unitholder desiring to appoint some other person, who need not be a Unitholder, to represent that Unitholder 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 Unitholder or by the Unitholder's attorney duly authorized in writing or, if the Unitholder 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 Form of Proxy is received by Proxy Dept., CIBC Mellon Trust Company, 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9 (or by facsimile to 416-368-2502) not less than 48 hours before the commencement of the Meeting, or any adjournment thereof.

Revocation of Proxies

A Unitholder who has given a Form of Proxy may revoke it by an instrument in writing that is signed and delivered to CIBC Mellon Trust Company in the manner as described above so as to arrive at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the Form of Proxy is to be used, or to the chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner provided 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 Trustee representatives designated in the enclosed Form of Proxy will vote or withhold from voting the Units in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Unitholder as indicated on the Form of Proxy and, if the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. Where no choice is specified in the Form of Proxy, such Units will be voted "for" the matters described therein and in this Information Circular, other than for the appointment of an auditor and the election of Trustees.

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, other than for the appointment of an auditor and the election of Trustees. 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 Trustee 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 Trustees know of no such amendment, variation or other matter that may be presented to the Meeting.

INFORMATION FOR BENEFICIAL UNITHOLDERS

These meeting materials are being sent to both registered and non-registered Unitholders. If you are a non-registered Unitholder and the Fund 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 Unitholders of the Fund. Unitholders who do not hold their Units in their own name are referred to in this Information Circular as "**Beneficial Unitholders**". Beneficial Unitholders should note that only a Unitholder whose name appears on the records of the Fund as a registered holder of Units or a person they appoint as a proxy can be recognized and vote at the Meeting. Currently, all issued and outstanding Units are in a book-based system administered by The Canadian Depository for Securities ("**CDS**"). Consequently, all Units 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 Units. Units held by CDS can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder.

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

In addition, the Fund has sent meeting materials directly to certain Beneficial Unitholders. By choosing to send these materials to you directly, the Fund (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 Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of depositing a Form of Proxy. If you are a Beneficial Unitholder 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 Unitholders 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 Units voted at the Meeting.

FUND STRUCTURE

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Alberta on August 10, 2004 by a Declaration of Trust. The Fund does not carry on an active business, but indirectly holds a 72.23% interest in Liquor Stores Limited Partnership ("**Liquor Stores LP**"), which carries on a retail liquor store business (the "**Business**") in Alberta and British Columbia. Liquor Stores LP has issued ordinary ("**Ordinary LP Units**"), Exchangeable ("**Exchangeable LP Units**") and subordinated ("**Subordinated LP Units**" and together with the Ordinary LP Units and the Exchangeable LP Units, the "**LP Units**") limited partnership units. The Ordinary LP Units are held by Liquor Stores Operating Trust (the "**LSOT**"), all of the trust units of which are owned by the Fund. The Exchangeable LP Units and the Subordinated LP Units are held by The Liquor Depot Corporation ("Liquor Depot"), Liquor World Group Inc ("**Liquor World**") and certain associated entities (the "**Vendors**"). Liquor Stores LP acquired a portion of its Business from the Vendors on completion of the Fund's initial public offering on September 28, 2004.

Liquor Stores GP is the general partner of Liquor Stores LP and also acts as the administrator of the Fund and LSOT pursuant to the terms of an Administration Agreement.

The affairs of the Fund are supervised by three Trustees. The affairs of Liquor Stores GP are supervised by its seven-member board of directors.

See also, "Additional Information Respecting the Fund".

VOTING UNITS AND PRINCIPAL HOLDERS THEREOF

There are 8,620,642 Units and 3,309,358 Special Voting Units of the Fund issued and outstanding, each of which entitles the holder to one vote on a ballot. The Special Voting Units have been issued in relation to the Exchangeable LP Units and Subordinated LP Units held by the Vendors, which are exchangeable into 3,309,358 Units. The Special Voting Units are automatically cancelled when such Exchangeable LP Units and Subordinated LP Units are exchanged for Units.

On a show of hands, every person present and entitled to vote at the Meeting will be entitled to one vote. Only registered holders of Voting Units at the close of business on April 12, 2006, the record date (the "Record Date") for the Meeting established by the Trustees, are entitled to vote at the Meeting.

To the knowledge of the Trustees, no person beneficially owns, directly or indirectly, or controls or directs Voting Units carrying more than 10% of the voting rights attached to any class of voting securities, other than:

<u>Name</u>	<u>Class and Number of Securities</u>	<u>Percentage of Class</u>	<u>Percentage of Voting Units</u>
Liquor Depot ⁽¹⁾	2,018,644 Special Voting Units	60.9%	16.9%
Liquor World ⁽²⁾	585,443 Special Voting Units	17.7%	4.9%
Liquor Stop Group Inc. ⁽³⁾	705,271 Special Voting Units	21.3%	5.9%

Notes:

- (1) Mr. Kipnes, the President and Chief Executive Officer of Liquor Stores GP, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 64.04% of the outstanding shares of Liquor Depot. Mr. Margolus, a director of Liquor Stores GP, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 14.23% of the outstanding shares of Liquor Depot.
- (2) Mr. Bereznicki, the Chairman and Director of Store Acquisitions and Development of Liquor Stores GP and Mr. Green, a Director of Liquor Stores GP, together with their respective associates and affiliates own beneficially, directly or indirectly, or exercise control or direction over, approximately 42.75% and 10.01%, respectively, of the outstanding shares of Liquor World.
- (3) Mr. Bereznicki and Mr. Green, together with their respective associates and affiliates own beneficially, directly or indirectly, or exercise control or direction over, approximately 40.0% and 10.1%, respectively, of the shares of Liquor Stop Group Inc. ("LSGI"), which owns beneficially, directly or indirectly, or exercise control or direction over, approximately 705,271 Special Voting Units.

MATTERS TO BE ACTED UPON AT THE MEETING

Election Of Trustees

The number of Trustees to be elected at the Meeting is determined from time to time by resolution of the Trustees, such number being not more than nine and not less than three. The Trustees have fixed the number of Trustees to be elected at the Meeting at three. The term of office of each of the present Trustees expires at the close of the Meeting. Each Trustee elected at the Meeting will hold office for a term expiring at the close of the next annual meeting of Unitholders or until his successor is appointed, unless his office is vacated earlier in accordance with the Declaration of Trust of the Fund.

In the following table, for each person proposed to be nominated for election as a Trustee, is stated his name, municipality of residence, the period or periods during which he has served as a Trustee, his principal occupation, his other public entity directorships and the number of Voting Units beneficially owned, directly or indirectly, or controlled or directed by him, as at the date hereof:

<u>Name and Municipality of Residence</u> ⁽¹⁾	<u>Period of Service as a Trustee</u>	<u>Principal Occupation and Other Public Directorships</u> ⁽¹⁾	<u>Number of Voting Units</u> ⁽²⁾
R. John Butler, Q.C. ⁽³⁾ Edmonton, Alberta	Since August 2004	Counsel, Bryan & Company (law firm). Mr. Butler is also a director of TELUS Corporation.	20,000 Units
Jim Dinning ⁽³⁾ Calgary, Alberta	Since August 2004	Chairman, Western Financial Group (Financial services company). Mr. Dinning is also a director of Finning International Inc., Shaw Communications Inc., Russel Metals Inc., Oncolytis Biotech Inc., JED Oil Inc., Western Financial Group Inc. and Parkland Income Fund.	4,000 Units
Glen H. Heximer, CA ⁽³⁾ St. Albert, Alberta	Since August 2004	Consultant and Business Advisor, Retired Partner Ernst & Young LLP.	2,500 Units

Notes:

- (1) The information as to municipality of residence and principal occupation, not being within the knowledge of the Fund, has been furnished by the respective Trustees individually.
- (2) The information as to the number of Voting Units beneficially owned, directly or indirectly, or controlled or directed, not being within the knowledge of the Fund, has been based upon reports filed with the Alberta Securities Commission.
- (3) Member of the Audit Committee of the Fund.

A "Record of Attendance by Trustees and Directors" at meetings of the Trustees and their committees for the year ended December 31, 2005 is set out in **Schedule "B"** hereto.

Unless such authority is withheld, the Trustee 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 Trustees, no proposed Trustee is, or within the ten years prior to the date hereof, has been, a director or executive officer of any other company that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) 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.

To the knowledge of the Trustees, no proposed Trustee has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any

proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the proposed Trustee.

Appointment of Auditors

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

Unless such authority is withheld, the Trustee representatives named in the accompanying Form of Proxy intend to vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Fund, to hold office until the next annual meeting of the Fund, at a remuneration to be fixed by the Trustees.

The Trustees recommend that the Unitholders vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Fund, at a remuneration to be fixed by the Trustees.

The information required by Form 52-110F1 of the Multilateral Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators including information about the fees billed to the Fund by PricewaterhouseCoopers LLP is contained in the Fund's Annual Information Form for the year ended December 31, 2005 under the heading "Audit Committee".

Amendment of Long Term Incentive Plan

Under Liquor Stores LP's existing long-term incentive plan ("**LTIP**"), Liquor Stores LP sets aside a pool of funds based upon the amount by which the Fund's per Unit distributions exceed certain per Unit distributable cash threshold amounts and Units are then purchased in the market using such pool of funds. The Trustees believe that it would be in the Fund's best interest to amend the LTIP to permit Units to be purchased from the Fund's treasury. The Trustees believe that this would provide the Compensation and Governance Committee with more flexibility in administering the LTIP because it would have the ability to direct the trustee of the LTIP to make Unit purchases in the market, from the Fund's treasury or in part in the market and in part from the Fund's treasury, as the Compensation and Governance Committee deems appropriate in the circumstances. In addition, management of Liquor Stores GP, the administrator of the LTIP, has advised the Trustees that the administrative costs associated with purchasing Units from the Fund's treasury would be lower than the administrative costs associated with purchasing Units in the market. The Trustees believe that achieving the Fund's incentive objectives in the most cost efficient manner possible is in the best interests of both the Fund and the Unitholders.

Based on the foregoing, the Trustees have approved amendments to the LTIP permitting up to 400,000 Units to be issued from the Fund's treasury, or such greater number of Units as may be approved by the Trustees, the TSX and the Unitholders from time to time. Certain restrictions on the maximum number of Units that may be issued or made issuable to insiders from the Fund's treasury under the LTIP (and the Fund's other security based compensation arrangements from time to time, if any) have been added to the LTIP to conform to the TSX rules regarding security based compensation arrangements. In addition, certain related drafting, grammatical and consequential amendments have been made to the LTIP.

With the exception of the amendments described above, the material provisions of the LTIP will remain unchanged. Certain features of the LTIP are summarized below:

- directors, officers and other senior management employees (as determined by the Compensation and Governance Committee) of Liquor Stores GP or one of its affiliates (including Liquor Stores LP) are eligible to participate in the LTIP;
- as at the date hereof, the up to 400,000 Units issuable from the Fund's treasury pursuant to the LTIP represents approximately 3.35% of the aggregate of (i) the Fund's outstanding Units, and (ii) Liquor Stores LP's outstanding Exchangeable LP Units and Subordinated LP Units (each of which is exchangeable for one Unit of the Fund on a one-for-one basis);
- as at the date hereof, other than the LTIP, neither the Fund nor any of its affiliates has a security based compensation arrangement in place;
- as at the date hereof, no Units have been issued from the Fund's treasury under the LTIP;

- the LTIP provides that the aggregate number of Units: (i) issued to insiders of the Fund from the Fund's treasury within any one year period; and (ii) issuable to insiders of the Fund from the Fund's treasury at any time; under the LTIP, or when combined with all of the Fund's other security based compensation arrangements (if any), cannot exceed 10% of the aggregate of (x) the Fund's issued and outstanding Units from time to time, and (y) any issued and outstanding securities of the Fund's affiliates that are exchangeable, directly or indirectly, for Units (including the Exchangeable LP Units and the Subordinated LP Units of Liquor Stores LP);
- other than as described above, the LTIP does not limit the maximum number of Units that any one person or company is entitled to receive under the LTIP;
- Units purchased from treasury under the LTIP will be purchased at a price per Unit equal to the volume weighted average trading price of the Units (calculated by dividing the total value by the total volume of Units traded for the relevant period) on the TSX for the five trading days immediately preceding the date of issue of Units from treasury pursuant to the LTIP (the "**Market Price**");
- unless otherwise specified by the Compensation and Governance Committee at the time of the grant of a right to a participant in the LTIP, one-third of the Units that are 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 units or distributions 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 units or distributions 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;
- unless the TSX or any other regulatory authority having jurisdiction requires otherwise, the LTIP can be amended by the Compensation and Governance Committee without receiving securityholder approval in respect of all matters other than (i) increasing the maximum number of Units reserved for issuance from the Fund's treasury under the LTIP, and (ii) issuing Units pursuant to the LTIP from the Fund's treasury at an issue price lower than the Market Price of the Units at the time the Units are issued. Notwithstanding the foregoing, the Compensation and Governance Committee can not amend, suspend or discontinue the LTIP prior to September 28, 2007, except for: (i) amendments made with the consent of all of the LTIP participants; (ii) amendments removing any inconsistencies or conflicts in the LTIP or making minor changes or corrections that, in the opinion of the Compensation and Governance Committee, are necessary or desirable; and (iii) amendments which do not adversely alter or impair any right or unvested Unit previously granted to a participant or the existing rights of a participant under the LTIP;
- if the Fund merges into any other entity or if the Fund sells the whole or substantially the whole of its assets and undertaking for securities of another trust, a corporation or other person (other than to an affiliate of the Fund) or upon any other form of business combination involving the Fund, the Fund's "fiscal year" for the purposes of the LTIP shall be deemed to end on the last day of the month prior to the effective date of the merger, business combination or sale, the "base distribution" as calculated under the LTIP shall be prorated for the number of months in the shortened fiscal year, the trustee of the LTIP shall use any funds paid to it under the LTIP to purchase or subscribe for additional Units, and all unvested Units shall vest immediately prior to the effective date of such merger, business combination or sale;
- if a takeover bid that is not exempt from the takeover bid requirements of applicable securities legislation is made for the Units, the Fund's "fiscal year" for the purposes of the LTIP shall be deemed to end on the last day of the month prior to the date the takeover bid is made, the "base distribution" for the purposes of the LTIP shall be prorated for the number of months in the shortened fiscal year, the trustee of the LTIP shall use any funds paid to it under the LTIP to purchase or subscribe for additional Units, and all unvested Units shall vest immediately. If for any reason such Units are not so tendered, or if

tendered, are not, for any reason, taken up and paid for by the offeror pursuant to the takeover bid, such Units shall be unvested and returned to the trustee of the LTIP; and

- appropriate adjustments to the number of Units are made by the Compensation and Governance Committee to give effect to adjustments in the number of Units resulting from subdivisions, consolidations or reclassifications of the Units, or other relevant changes, in the Fund. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Compensation and Governance Committee in its sole discretion, subject to acceptance by the TSX, if applicable.

For additional information in respect of the LTIP, see "Executive Compensation – LTIP Awards, Options and SARs, and Defined Benefit or Actuarial Plans".

Pursuant to the TSX rules, the amendments to the LTIP described above have been approved by a majority of the Trustees, subject to approval by the TSX. The TSX has conditionally approved the amendments described above, subject to the receipt of Unitholder approval. Accordingly, at the Meeting, Unitholders will be asked to consider, and if thought advisable approve, the following resolution:

"BE IT RESOLVED THAT:

1. the amended and restated long term incentive plan (the "**LTIP**") of Liquor Stores Limited Partnership, which among other things, permits the issuance of up to 400,000 trust units of the Fund from treasury pursuant to the LTIP, all as described in the accompanying Information Circular, be and is hereby authorized and approved, subject to the receipt of the approval of the Toronto Stock Exchange;
2. the Fund be and is hereby authorized to reserve, authorize for issuance and issue up to 400,000 trust units of the Fund from treasury pursuant to the LTIP; and
3. any single trustee of the Fund and Liquor Stores GP Inc., as the administrator of the Fund, be and is hereby authorized and directed for and on behalf of the Fund, to do such things and execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions including, without limitation, resolutions authorizing any direct or indirect subsidiary entity of the Fund to do such things and execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions."

The Trustees believe that the above resolution is in the best interests of the Fund and recommend that Unitholders vote in favour of the resolution. In order for the foregoing resolution to be adopted, it must be passed by a simple majority of the votes cast by Unitholders who vote in person or by proxy at the Meeting. **The Trustee designees, if named as proxy, intend to vote such proxy in favour of the resolution referred to above unless a Unitholder has specified in such Unitholder's proxy that its Voting Units are to voted against the resolution. If no choice is specified by a Unitholder to vote for or against the resolution referred to above, the Trustee designees intend to vote in favour of the resolution.** If the amended and restated long term incentive plan of the Fund is not approved by Unitholders, the LTIP will continue in its current form and Units will continue to be purchased under the LTIP in the public market.

Amendments to the Fund's Amended and Restated Declaration of Trust

Background to the Proposal

Part of the Fund's growth strategy is to take advantages of opportunities in jurisdictions other than Alberta, including in British Columbia. Liquor Stores LP opened its first store in British Columbia in Victoria in June 2004, followed by the development of two additional stores in Kamloops and Richmond, which opened in May 2005. In October 2005, Liquor Stores LP completed the acquisition of two more stores in Vancouver. Management believes that British Columbia offers significant opportunities for expansion and intends to build on its market position by adding new stores through acquisitions and new store

development in British Columbia. Liquor Stores LP currently has one full time management employee dedicated to expanding operations in British Columbia and continues to monitor developments in other jurisdictions.

British Columbia has a partially privatized retail liquor industry and a unique regulatory regime, with both government and privately owned and operated retail liquor stores. The business of retailing liquor in British Columbia is shared between government owned and operated British Columbia Liquor Distribution Branch stores, privately owned and operated licensee retail stores ("**LRS**"), rural agency stores, manufacturers' stores, independent wine stores and duty free stores. At March 31, 2005, there were 534 privately owned and operated LRSs. However, no new LRS licenses are currently being issued. Therefore, anyone wishing to operate a liquor store in British Columbia must either enter into a third party operating agreement with a holder of an existing LRS license or acquire or otherwise invest in an entity holding an existing LRS license. In most cases, the holders of existing LRS licenses are businesses such as bars, cabarets, nightclubs, restaurants, pubs or hotels, as LRS licenses were generally issued only to existing license holders for these types of "primary" liquor establishments. Liquor Stores LP has historically entered into third party operating agreements with holders of existing LRS licenses pursuant to which it operates the license holder's retail liquor business. Liquor Stores LP has determined, however, that in order to facilitate its growth strategy in British Columbia in the most efficient manner possible, Liquor Stores LP may wish to acquire and/or invest in one or more holders of LRS licenses that have both a "primary" liquor establishment and a related liquor store operation. Although the Fund's amended and restated declaration of trust (the "**Fund Declaration**") permits the Fund to invest in entities conducting activities ancillary or incidental to the retail liquor business and such other investments as the Trustees may determine, the Trustees believe that it is prudent to seek Unitholder approval to amend the Fund Declaration to confirm that the Fund may invest in entities (directly or indirectly) that carry on certain businesses other than the retail liquor business, such as bars, cabarets, nightclubs, restaurants, pubs or hotels, but which hold or otherwise exercise control or direction over (or are eligible to apply for and acquire), LRS licenses. Such amendment will facilitate the Fund's growth strategy in British Columbia and other jurisdictions with similar regulatory regimes.

Proposed Amendment to the Fund's Declaration of Trust

Based on the foregoing, the Trustees propose to amend subsection 4.1(a) of the Fund Declaration as follows (the amendments appear as bold, underlined, italicized text):

"The Trust is a limited purpose trust and its operations and activities are restricted to:

- (a) acquiring, investing in, transferring, disposing of and otherwise dealing with debt and equity securities of the Operating Trust, the GP, Liquor Stores LP and other corporations, partnerships, trusts or other persons involved, directly or indirectly; ***(i) in the retail liquor business (including the Company Stores); and (ii) in any other business whatsoever (including, without limitation, a bar, cabaret, nightclub, restaurant, pub or hotel) that permits or would permit the entity operating such business and/or one or more of the Fund's affiliates to hold or exercise control or direction over (or be eligible to apply for and acquire and thereafter hold or exercise control or direction over) a license (or similar or equivalent permit, right or entitlement) granted by the applicable regulatory authorities for the sale of liquor products (and any other products permitted to be sold by the license) for off-premises consumption and/or use;*** and all activities ancillary or incidental thereto and such other investments as the Trustees may determine;"

The operations and activities of LSOT and Liquor Stores LP are limited to substantially the same types of operations and activities that the Fund is currently limited to in the Fund Declaration. Therefore, if the Unitholders approve the special resolution authorizing the aforementioned amendments to the Fund Declaration, the Trustees intend, and Unitholders will authorize the Trustees, to vote the securities of LSOT held by the Fund to: (i) cause the trustees of LSOT to amend the amended and restated declaration of trust of LSOT; and (ii) cause LSOT and Liquor Stores GP to pass a special resolution of the partners of Liquor Stores LP authorizing amendments to the amended and restated limited partnership agreement of Liquor Stores LP; in each case to effect amendments substantially the same as those proposed to be made to the Fund Declaration and to confirm that Liquor Stores LP may carry on any business or activity in which the Fund or LSOT are permitted to invest, directly or indirectly.

Approval of the Proposed Amendment

The Fund Declaration provides that the Fund Declaration may only be amended by the Trustees upon approval of the Unitholders by special resolution. To be approved, the special resolution must be passed by the affirmative votes of the holders of more than 66 2/3% of the Voting Units represented at the meeting and voted upon such resolution.

Given the Fund's growth strategy in British Columbia and the current state of the regulatory regime in British Columbia, the Trustees have unanimously determined that the proposed amendments to the Fund Declaration are in the best interests of the Fund and the Unitholders, and unanimously recommend that Unitholders vote in favour of the special resolution to effect those amendments. The form of the special resolution is attached to this Information Circular as **Schedule "E"**. **The Trustee designees, if named as proxy, intend to vote such proxy in favour of the resolution referred to above unless a Unitholder has specified in such Unitholder's proxy that its Voting Units are to voted against the resolution. If no choice is specified by a Unitholder to vote for or against the resolution referred to above, the Trustee designees intend to vote in favour of the resolution.**

ADDITIONAL INFORMATION RESPECTING THE FUND

Under applicable securities legislation, the Fund is required to provide certain information with respect to the Fund, its Trustees and officers. The Fund, however, does not carry on business, does not have officers and is dependent for its results on the performance of Liquor Stores LP. Liquor Stores GP is responsible for administering the Fund and its business in accordance with the Administration Agreement. Consequently, in addition to the information relating to the Fund and Trustees, this Information Circular includes information relating to Liquor Stores GP and its directors and officers.

Administration Agreement

Under the Administration Agreement, Liquor Stores GP has agreed to provide or arrange for the provision of services required in the administration of the Fund (and LSOT) including those necessary to: (a) ensure compliance by the Fund with its continuous disclosure obligations under applicable securities legislation; (b) provide investor relations services; (c) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust; (d) convene meetings of Unitholders and distribute required meeting materials; (e) provide for the calculation of distributions to Unitholders; (f) attend to all administrative and other matters arising in connection with any redemptions of Units; (g) use its best efforts to ensure compliance with the Fund's limitations on non-resident ownership; (h) attend to all administrative matters in connection with the Note Indenture under which Notes of LSOT are issued to the Fund; and (i) provide general accounting, bookkeeping and administrative services to the Fund.

The administration of the Fund under the Administration Agreement may be terminated at any time by the Fund upon notice in writing to Liquor Stores GP and upon payment to Liquor Stores GP of all costs and expenses incurred by Liquor Stores GP in terminating contracts entered into by Liquor Stores GP with the approval of the Fund for the performance by Liquor Stores GP of its duties under the Administration Agreement. All expenses incurred by Liquor Stores GP and attributable to the exercise of its duties in the administration of the Fund are the responsibility of Liquor Stores GP (and are reimbursed by Liquor Stores LP) and no fee is payable to Liquor Stores GP for the services provided by it to the Fund under the Administration Agreement.

Directors of Liquor Stores GP

Pursuant to the provisions of a Securityholders Agreement, the board of directors of Liquor Stores GP currently consists of seven directors. For so long as the Vendors and certain permitted assignees (collectively, the "**Vendor Group**") hold, directly or indirectly, LP Units or Units representing, on a fully diluted basis, not less than 30% of the outstanding Units, the Vendor Group is entitled to nominate three individuals as directors to the board of directors of Liquor Stores GP, for so long as the Vendor Group holds, directly or indirectly, LP Units or Units representing, on a fully diluted basis, less than 30% but not less than 20% of the outstanding Units on a fully diluted basis, the Vendor Group is entitled to nominate two individuals as directors to the board of directors of Liquor Stores GP and for so long as the Vendor Group holds, directly or indirectly, LP Units or Units representing, on a fully-diluted basis, less than 20% but not less than 10% of the outstanding Units on a fully-diluted basis, the Vendor Group is entitled to nominate one individual as a director to the board of directors of Liquor Stores GP, and LSOT is required to vote its shares of Liquor Stores GP in favour of such individuals.

In the following table, for each person proposed to be nominated for election as a director of Liquor Stores GP is stated his name, municipality of residence, the period or periods during which he has served as a director, his principal occupation, his other public entity directorships and the number of Voting Units beneficially owned, directly or indirectly, or controlled or directed by him, as at the date hereof:

Name and Municipality of Residence ⁽¹⁾	Period of Service as a Director	Principal Occupation and Other Public Directorships ⁽¹⁾	Number of Voting Units ⁽²⁾
Henry Bereznicki, P Eng, MBA ⁽⁴⁾ Edmonton, Alberta	Since August 2004	Chairman and Director of Store Acquisitions and Development of Liquor Stores GP and President, Western Region, Sterling Centrecorp Inc. (real estate investment and services company).	See Note (6)
R. John Butler, Q.C. ⁽³⁾⁽⁵⁾ Edmonton, Alberta	Since August 2004	Counsel, Bryan & Company (law firm). Mr. Butler is also a director of TELUS Corporation.	20,000 Units
Jim Dinning ⁽³⁾⁽⁵⁾ Calgary, Alberta	Since August 2004	Chairman, Western Financial Group (Financial services company). Mr. Dinning is also a director of Finning International Inc., Shaw Communications Inc., Russel Metals Inc., Oncolytis Biotech Inc., JED Oil Inc., Western Financial Group Inc. and Parkland Income Fund.	4,000 Units
Robert S. Green, LLB ⁽³⁾ Toronto, Ontario	Since August 2004	President and Chief Operating officer, Sterling Centrecorp Inc. (real estate investment and services company). Mr. Green is also a director of Sterling Centrecorp Inc.	See Note (7)
Glen H. Heximer, CA ⁽³⁾⁽⁵⁾ St. Albert, Alberta	Since August 2004	Consultant and Business Advisor. Retired Partner Ernst & Young LLP.	2,500 Units
Irving Kipnes, P. Eng. ⁽⁴⁾ Edmonton, Alberta	Since August 2004	President and Chief Executive Officer of Liquor Stores GP and President and Managing Director of the Delcon Development Group of Companies (real estate development).	2,018,644 Units ⁽⁸⁾
David B. Margolus, Q.C. ⁽³⁾ Edmonton, Alberta	Since August 2004	Counsel, Witten LLP (law firm). Mr. Margolus is also a director of XS Cargo Income Fund.	See Note (9)

Notes:

- (1) The information as to municipality of residence and principal occupation, not being within the knowledge of the Fund, has been furnished by the respective directors individually.
- (2) The information as to the number of Voting Units beneficially owned, directly or indirectly, or controlled or directed, not being within the knowledge of the Fund, has been based upon reports filed with the Alberta Securities Commission.
- (3) Nominee of the Fund.
- (4) Nominee of the Vendor Group (the members of which in aggregate beneficially own or exercise control or direction over 3,309,358 Special Voting Units).
- (5) Member of the Compensation and Governance Committee of Liquor Stores GP.
- (6) Mr. Bereznicki, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 42.75% of the outstanding shares of Liquor World, which owns beneficially, directly or indirectly, or exercise control or direction over 585,443 Special Voting Units.
- (7) Mr. Green, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 10.01% of the outstanding shares of Liquor World, which owns beneficially, directly or indirectly, or exercise control or direction over 585,443 Special Voting Units.
- (8) Mr. Kipnes, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 64.04% of the outstanding shares of Liquor Depot, which owns beneficially, directly or indirectly, or exercises control or direction over 2,018,644 Special Voting Units.
- (9) Mr. Margolus, together with his associates and affiliates, owns beneficially, directly or indirectly, or exercises control or direction over, approximately 14.23% of the outstanding shares of Liquor Depot which owns beneficially, directly or indirectly, or exercises control or direction over 2,018,644 Special Voting Units.

A "Record of Attendance by Trustees and Directors" at meetings of the Trustees and their committees for the year ended December 31, 2005 is set out in **Schedule "B"** hereto.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of the compensation earned by the Chief Executive Officer and each Chief Financial Officer of Liquor Stores GP, and each of the two most highly compensated executive officers of Liquor Stores GP, other than the Chief Executive Officer and Chief Financial officer, who were serving as executive officers at the end of the most recently completed financial year and whose salary and bonus exceeds \$150,000 (the "**Named Executive Officers**"):

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation		Payouts	All Other Compensation
		Salary	Bonus	Other Annual Compensation	Awards			
					Securities Under Options / SARs Granted	Units Subject to Resale Restrictions		
Henry Bereznicki ⁽¹⁾ Chairman and Director of Store Acquisitions and Development	2005 2004	\$50,000 \$13,014 ⁽⁴⁾	\$100,000 -	- -	- -	- -	- -	
Irving Kipnes ⁽¹⁾ President and Chief Executive Officer	2005 2004	\$50,000 \$13,014 ⁽⁴⁾	⁽²⁾ -	- -	- -	- -	- -	
Richard J. Crook ⁽¹⁾ Executive Vice President and Chief Operating Officer	2005 2004	\$200,000 \$52,055 ⁽⁴⁾	\$150,000 ⁽⁵⁾ \$25,000	\$9,448 ⁽⁷⁾ \$2,436 ⁽⁷⁾	- -	- -	- -	
Tom Orysiuk ⁽¹⁾ Vice President Finance and Chief Financial Officer	2005 2004	\$116,073 \$31,232 ⁽⁴⁾	\$42,000 ⁽⁶⁾ -	- -	- -	- -	- -	
Tom Thorvaldson ⁽³⁾ Interim Chief Financial Officer	2005	\$30,950						

Notes:

- (1) The employment of Messrs. Bereznicki, Kipnes, Crook and Orysiuk commenced on September 28, 2004. Mr. Orysiuk's employment ceased November 10, 2005.
- (2) Mr. Kipnes waived his \$100,000 bonus award.
- (3) Mr. Thorvaldson was Interim Chief Financial Officer from October 17 to December 31, 2005. His successor, Mr. Patrick de Grace, commenced employment January 1, 2006.
- (4) Reflects amounts paid for the period from September 28, 2004 to December 31, 2004.
- (5) Includes Mr. Crook's bonus award as set out in his employment agreement and an additional \$50,000 in respect of store acquisitions and development.
- (6) Bonus awarded Mr. Orysiuk for the period July 1, 2004 to June 30, 2005.
- (7) Represents amounts paid for company owned vehicle and health club membership.

Compensation of Trustees and Directors

The compensation for Trustees and directors of Liquor Stores GP is \$20,000 per Trustee or director per year (without duplication) and \$1,250 per Trustee or director of Liquor Stores GP for attending meetings of the Trustees or the board of directors of Liquor Stores GP, as the case may be, provided that no compensation is paid to the nominees of the Vendor Group for serving as directors of Liquor Stores GP or attending board or committee meetings. The chair of the Trustees and the chairs of each committee of the Trustees or (without duplication of fees) committees of the board of directors receive an additional \$5,000 per year in respect of chair duties. The Fund and Liquor Stores GP also reimburse Trustees and directors for out-of-pocket

expenses for attending meetings. No directors' compensation is paid to Trustees who are employees or members of management of Liquor Stores GP or Liquor Stores LP. No additional compensation is paid to Trustees for also serving as trustees of LSOT. The aggregate amount earned by the Trustees and directors of Liquor Stores GP as compensation, in their capacity as such, during the financial year ended December 31, 2004 was \$251,250.

LTIP Awards, Options and SARs, and Defined Benefit or Actuarial Plans

The Fund and its subsidiaries do not grant options or share appreciation rights ("SARs"), and do not have a defined benefit or actuarial plan.

Liquor Stores LP has established a long-term incentive plan ("LTIP") in which key senior management of Liquor Stores GP and Liquor Stores LP and the directors, officers and management of their affiliates are eligible to participate. The purpose of the LTIP is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance Liquor Stores LP's ability to attract, retain and motivate key personnel, and reward key senior management for significant performance and associated per Unit cash flow growth of the Fund. Pursuant to the LTIP, Liquor Stores LP will set aside a pool of funds based upon the amount by which the Fund's per Unit distributions exceed certain per Unit distributable cash threshold amounts. Such Units will then be purchased in the market with such pool of funds and will be held until such time as ownership vests to each participant. The Compensation and Governance Committee of Liquor Stores GP administers the LTIP. The board of directors of Liquor Stores GP or the Compensation and Governance Committee has the power to, among other things, (i) determine those individuals who will participate in the LTIP, (ii) the level of participation of each participant and (iii) the time or times when ownership of the Units will vest for each participant.

The LTIP currently provides for awards that may be earned based on the amount by which distributable cash exceeds a base distribution threshold of \$1.00 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool is determined in accordance with the table below:

Percentage by which Distributable Cash per Unit Exceeds Base Distribution Threshold	Proportion of Excess Distributable Cash Available for LTIP Payments ⁽¹⁾
5% or less	nil
Greater than 5% and up to 10%	10% of any excess of 5%
Greater than 10% and up to 20%	10% of any excess of 5% plus 20% of any excess of 10%
Greater than 20%	10% of any excess over 5%, plus 20% of any excess over 10% to 20%, plus 25% of any excess over 20%

Note:

(1) Annualized for fiscal periods of less than 12 months.

The base distribution threshold is subject to adjustment by the Compensation and Governance Committee from time to time. The board of directors of Liquor Stores GP or the Compensation and Governance Committee may also in the future establish other incentive based compensation plans.

An accrual of \$17,217 was made during 2005 for the LTIP as the distributable cash flow per unit exceeded the base distribution by \$0.05 per Unit. It is anticipated that LTIP awards may be made during 2006 in respect of the 2006 fiscal year based on a variety of factors including financial targets and personal objectives.

Termination of Employment, Change in Responsibilities and Employment Contracts

All of the Named Executive Officers are parties to employment agreements with Liquor Stores GP, which outline the terms and conditions of their employment. These agreements generally provide for minimum base salaries, which in the case of Messrs. Bereznicki and Kipnes are \$50,000 each, in the case of Mr. Crook is \$240,000 and in the case of Mr. de Grace is \$180,000. The contracts also provide that the Named Executive Officers are entitled to participate in any long-term incentive plan (including the LTIP) from time to time and to receive annual discretionary bonuses. Mr. Crook is entitled to a bonus of up to 50% of his annual salary based on the achievement of certain key objectives to be established annually. Mr. de Grace is entitled to a bonus of up to 30% of his annual salary based on the achievement of certain key objectives to be established annually.

The agreements with Messrs. Bereznicki and Kipnes provide that they are to receive identical remuneration (including salary, benefits, bonus, and participation in the LTIP) for so long as they continue in their present positions with Liquor Stores GP, with Messrs. Bereznicki and Kipnes to make joint recommendations with respect to such remuneration.

The agreements with Messrs. Bereznicki and Kipnes continue until December 31, 2009 but may be terminated earlier by Liquor Stores GP for just cause. Mr. Bereznicki or Mr. Kipnes may terminate his agreement at any time after December 31, 2006 on not less than sixty (60) days notice. Mr. Crook's agreement is for an indefinite term but may be terminated by Liquor Stores GP at any time for just cause or without cause on payment of an amount equal to two times Mr. Crook's average annual remuneration (including salary, bonus, LTIP and benefits) over the preceding three years. Mr. Crook is also entitled to a payment of two times his average annual remuneration if he resigns or his employment is terminated within one year of a "change of control" (as defined in the agreement) of Liquor Stores GP. Mr. de Grace's agreement is for an indefinite term but may be terminated by Liquor Stores GP at any time for just cause or without cause on payment of an amount equal to Mr. de Grace's average annual remuneration (including salary, bonus, LTIP and benefits) over the preceding three years (one and one-half times his average annual remuneration after December 31, 2008). Mr. de Grace is also entitled to a payment equal to (one and one-half times after December 31, 2008) his average annual remuneration if he resigns or his employment is terminated within one year of a "change of control" (as defined in the agreement) of Liquor Stores GP.

Except as described above, there is no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than \$100,000 from the Fund or its subsidiaries, including periodic payments or instalments, in the event of the resignation, retirement or any other termination of the Named Executive Officer's employment, a change of control of the Fund or any of its subsidiaries or a change in the Named Executive Officer's responsibilities following a change in control.

Trustees', Directors' and Officers' Liability Insurance

The Fund, LSOT, Liquor Stores GP and Liquor Stores LP maintain policies of insurance for their trustees, directors and officers, as applicable. The aggregate limit of liability applicable to the insured trustees, directors and officers under the policies is \$10 million. Under the policies, each entity has reimbursement coverage to the extent that it has indemnified the trustees, directors and officers in excess of a deductible of \$50,000. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund and its subsidiaries. The total limit of liability is shared among the insured entities and their respective trustees, directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective trustees, directors and officers. The annual premium in the current financial year is \$68,000. The premiums for the policy are not allocated between the insured trustees, directors and officers as separate groups.

Composition of the Compensation and Governance Committee

The Compensation and Governance Committee of Liquor Stores GP has the responsibility to review and make recommendations to the board of directors concerning the compensation of the executive officers of Liquor Stores GP. The Compensation and Governance Committee is comprised of three members: R. John Butler (Chair), Jim Dinning and Glen H. Heximer. No member of the Compensation and Governance Committee is an officer, employee or former officer or employee of the Fund or any of its subsidiaries.

Report on Executive Compensation

The Compensation and Governance Committee's executive compensation philosophy is guided by its objective to obtain and retain executives critical to the success of Liquor Stores LP.

The compensation of the Named Executive Officers consists of three principal elements: salary, bonus and LTIP awards. The initial compensation levels were determined by the Board of Directors of Liquor Stores GP in connection with or following the completion of the Fund's initial public offering on September 28, 2004. Base salaries are paid to the Named Executive Officers in accordance with each of their employment agreements described under "Executive Compensation - Termination of Employment, Change in Responsibilities and Employment Contracts". The salaries provided for in the employment agreements were determined based on, among other things, individual performance and responsibilities, compensation paid to executives of other organizations of similar size and complexity, and, in certain cases, the salary paid to such persons by Liquor Depot or Liquor World prior to the indirect acquisition by the Fund of the Business.

In addition, each Named Executive Officer is entitled to participate in a bonus plan and receives a bonus of up to a specified percentage of his base salary based upon annual profits and distributable cash.

An accrual of \$17,217 was made during 2005 for the LTIP as the distributable cash flow per unit exceeded the base distribution by \$0.05 per Unit. It is anticipated that LTIP awards may be made during 2006 in respect of the 2006 fiscal year based on a variety of factors including financial targets and personal objectives.

The compensation of the Chief Executive Officer, Mr. Kipnes, is comprised of a base salary, bonus (waived by Mr. Kipnes until after December 31, 2005) and participation in the LTIP.

The base salary for Mr. Kipnes was determined by the Board of Directors of Liquor Stores GP in connection with the Fund's initial public offering on September 28, 2004 as described under "Executive Compensation - Termination of Employment, Change in Responsibilities and Employment Contracts".

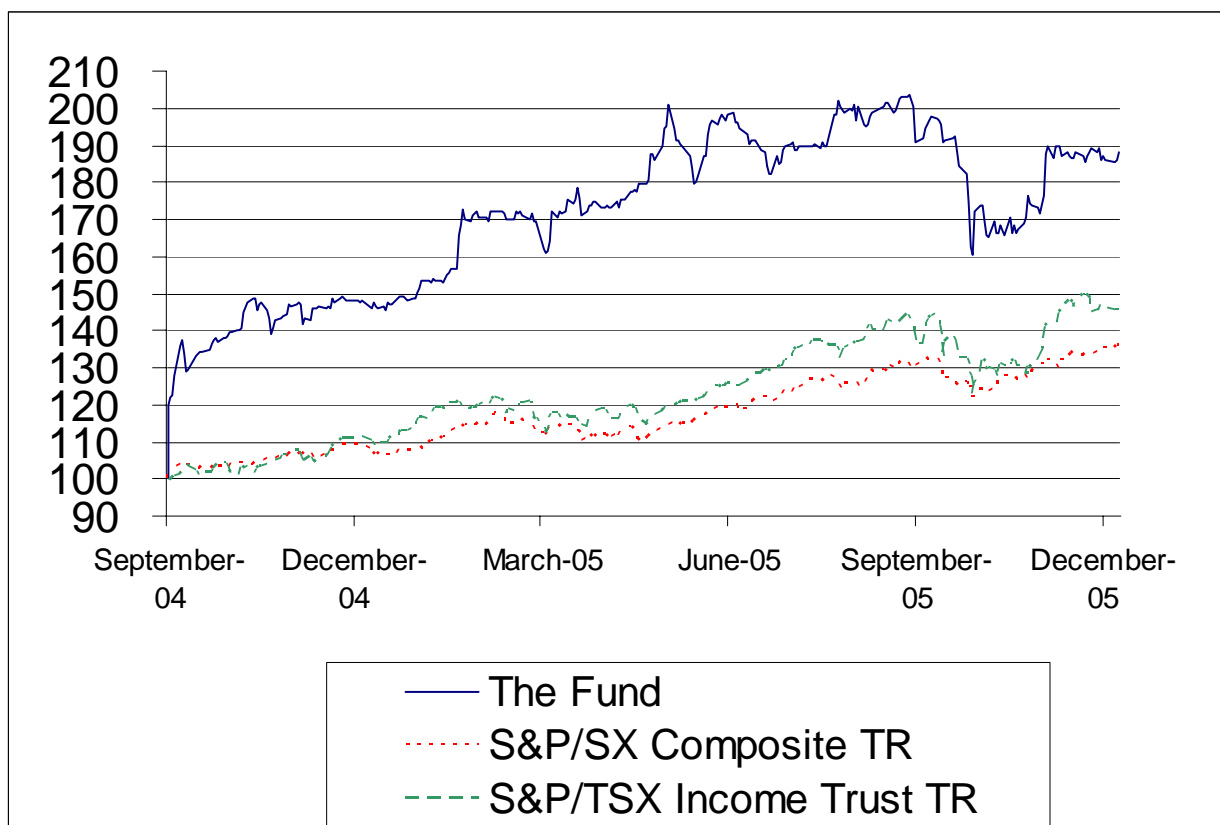
When reviewing the salary of the Chief Executive Officer in future years, the Compensation and Governance Committee will consider, among other things, the performance of the business, individual performance, as well as compensation practices of comparable organizations.

Submitted by:

R. John Butler (Chair)
Jim Dinning
Glen H. Heximer

Performance Graph

The following chart compares the cumulative total unitholder return, including the reinvestment of distributions, from September 28, 2004, the date upon which the Fund completed its initial public offering and the Units were first listed on the TSX, for \$100 invested in the 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

	September 28, 2004	December 31, 2004	December 31, 2005
Liquor Stores Income Fund (Total Return)	\$100	\$147.62	\$187.98
S&P/TSX Canadian Income Trust Index (Total Return)	\$100	\$111.24	\$145.70
S&P/TSX Composite Index	\$100	\$109.37	\$135.75

Actual Values

	September 28, 2004	December 31, 2004	December 31, 2005
Liquor Stores Income Fund (Total Return)	\$10.00	\$14.76	\$18.80
S&P/TSX Canadian Income Trust Index (Total Return)	158.06	175.83	230.30
S&P/TSX Composite Index	19,607.99	21,144.89	26,618.80

SECURITIES AUTHORIZED FOR ISSUANCE UNDER UNIT COMPENSATION PLANS

At December 31, 2005, the Fund did not have a compensation plan under which Units of the Fund were authorized for issuance. On April 13, 2006, the Trustees of the Fund approved (subject to the receipt of TSX approval and Unitholder approval) the reservation and issuance of up to 400,000 Units from the Fund's treasury pursuant to Liquor Stores LP's LTIP. For details

regarding the LTIP and the proposed amendments thereto, see "Matters to be Acted Upon at the Meeting – Amendment of Long Term Incentive Plan" and "Executive Compensation – LTIP Awards, Options and SARs, and Defined Benefit or Actuarial Plans".

INDEBTEDNESS OF TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

There is no indebtedness outstanding on the date hereof owed to (i) the Fund and 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 Fund or any of its subsidiaries, by any present or former trustees, directors, executive officers and employees, as applicable, of the Fund and its subsidiaries in connection with (i) the purchase of securities, or (ii) all other indebtedness, other than routine indebtedness.

Indebtedness of Trustees, Directors and Executive Officers under Securities Purchase and Other Programs

Since the commencement of the Fund's most recently completed financial year, there has been no indebtedness outstanding owed to (i) the Fund 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 Fund or any of its subsidiaries, other than routine indebtedness, by any individual who is, or at any time during the Fund's most recently completed financial year was, a trustee, director or executive officer, as applicable, of the Fund or Liquor Stores GP, each proposed nominee for election as a Trustee of the Fund or a director of Liquor Stores GP, and each associate of any such trustee, director, executive officer or proposed trustee or 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 Fund, nor any proposed Trustee, nor any associate or affiliate of any informed person or proposed Trustee, 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 Fund or any of its subsidiaries.

1. The following agreements were entered into in connection with the completion of the Fund's initial public offering and the acquisition of the Business by Liquor Stores LP on September 28, 2004:
 - (a) *Acquisition Agreements* – Liquor Stores LP and the Vendors, including Liquor Depot and Liquor World, entered into Acquisition Agreements pursuant to which Liquor Stores LP acquired the Business from the Vendors. Pursuant to the Purchase Agreements, the Vendors received approximately \$55.45 million, before adjustments and 4,200,000 LP Units.
 - (b) *Limited Partnership Agreement* –The Vendors became a party to the limited partnership agreement of Liquor Stores LP (and became partners of Liquor Stores LP). This agreement governs, among other things, the distributions to be made to the Fund and to the Vendors by Liquor Stores LP, and the subordination of the distributions to be made to the Vendors to the distributions to be made to the Fund.
 - (c) *Non-Competition Agreements* – Each of Henry Bereznicki and Irving Kipnes entered into non-competition agreements with Liquor Stores LP.
 - (d) *Exchange Agreement* – The Fund, LSOT, Liquor Stores GP, Liquor Stores LP, and the Vendors entered into an Exchange Agreement. The Exchange Agreement, among other things, grants to the Vendors the right to exchange, all or any portion, of their LP Units for Units.
 - (e) *Securityholders Agreement* – The Fund, LSOT, Liquor Stores LP, Liquor Stores GP and the Vendors entered into a Securityholders Agreement governing their security holdings in, and the business and affairs of, Liquor Stores GP and Liquor Stores LP.

More detailed summaries of these agreements are contained in the annual information form of the Fund which, together with copies of the agreements, may be viewed on the SEDAR website at www.sedar.com.

2. Mr. Margolus is counsel to Witten LLP, which firm receives fees for legal services provided to the Fund and its subsidiaries.
3. Seven of Liquor Stores LP's stores are located in shopping centres formerly owned by entities of which Mr. Kipnes is an officer, director or shareholder, or entities of which Messrs. Bereznicki and Green are or were officers and/or directors.
4. Liquor Stores LP leases its warehouse premises from a company owned by the family of Mr. Margolus. One of Liquor Stores LP's stores is leased from an entity in which Messrs. Bereznicki and Green are shareholders.
5. Entities of which one or more directors of Liquor Stores GP are directors, officers or shareholders currently manage the shopping centres at which three of Liquor Stores LP's stores are located.
6. A company controlled by I. Kipnes has been contracted to assist in supervising new store construction and the renovation of acquired stores at industry rates.

MANAGEMENT CONTRACTS

There are no management functions of the Fund or any of its subsidiaries that are to any substantial degree performed by a person other than the Trustees, directors or executive officers, as applicable, of the Fund or a subsidiary, other than the services provided by Liquor Stores GP to the Fund and LSOT pursuant to the Administration Agreement.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

The Trustees 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 Trustee representatives named in the Form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found on SEDAR at www.sedar.com. Additional financial information is provided in the Fund's audited consolidated financial statements and management's discussion and analysis for the Fund's most recently completed financial year. A copy of the Fund's financial statements and management's discussion and analysis is available upon written request to the Chief Financial Officer of Liquor Stores GP at Liquor Stores GP, Suite #1120, 10235 – 101st Street, Edmonton, Alberta, T5J 3G1.

APPROVAL OF CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the Trustees.

DATED this 13th day of April, 2006.

By Order of the Trustees

(signed) "*Jim Dinning*"
Chairman, The Board of Trustees
Liquor Stores Income Fund

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In January 2004, the Canadian Securities Administrators (the "**CSAs**") adopted Multilateral Instrument 52-110 *Audit Committees* and certain amendments were made to such instrument effective June 30, 2005 (the "**CSA Audit Committee Rules**"). 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 Fund dated March 24, 2006, available on SEDAR at www.sedar.com and which may be obtained free of charge, on request, from the Secretary of the Fund.

In 2005, the CSAs also adopted Multilateral Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "**CSA Disclosure Instrument**") and National Policy 58-201 *Effective Corporate Governance* (the "**CSA Governance Policy**"). The CSA Governance Policy provides guidance on governance practices for Canadian issuers. The CSA Disclosure Instrument requires issuers to make prescribed disclosure regarding their governance practices. The Fund believes that its corporate governance practices meet the requirements of the CSA Disclosure Instrument and the Corporate Governance Policy, as reflected in the disclosure made hereunder.

Because of the Fund's structure, its approach to governance is best addressed jointly by the Trustees and the board of directors (the "**Board of Directors**" or the "**Board**") of Liquor Stores GP. The Fund is a trust created to hold, directly or indirectly, the securities of Liquor Stores LP and does not conduct any active business. The active business of Liquor Stores LP is managed by Liquor Stores GP, as general partner of Liquor Stores LP. The business of Liquor Stores GP is overseen by the Board of Directors and its committees. The committees report and recommend actions to the Board of Directors and, as needed, to the Trustees. The Trustees are also members of the Board of Directors, facilitating reporting and information exchange.

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
1. Board of Directors		
(a) Disclose the identity of directors who are independent.	Yes	All three (3) of the Trustees are "independent" within the meaning of the CSA Disclosure Instrument. They are R. John Butler, Jim Dinning and Glen H. Heximer.
		Of the seven (7) members of the Board of Directors of Liquor Stores GP, five (5) directors are "independent" within the meaning of the CSA Disclosure Instrument. They are R. John Butler, Jim Dinning, Glen H. Heximer, Robert S. Green and David Margolus. Messrs. Green and Margolus, together with their associates and affiliates, are, directly or indirectly, shareholders of certain of the Vendors from whom Liquor Stores LP acquired the Business on September 28, 2004 and which continue to hold exchangeable and subordinated partnership units of Liquor Stores LP and special voting units of the Fund. In addition, Mr. Margolus is counsel to Witten LLP, which firm receives fees for legal services provided to the Fund and its subsidiaries, a company owned by family members of Mr. Margolus leases warehouse premises to Liquor Stores LP and Mr. Green is a shareholder of an entity from which Liquor Stores LP leases one of its stores. The Trustees have concluded, however, that these relationships cannot reasonably be expected to interfere with the exercise of independent judgement by Messrs. Green and Margolus and accordingly that each of Mr. Green and Mr. Margolus is "independent" within the meaning of the CSA Disclosure Instrument.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Yes	Two (2) of the directors, Messrs. Bereznicki and Kipnes are officers of Liquor Stores GP 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	All of the three (3) current Trustees (and Trustee nominees) are independent. Five (5) of Liquor Stores GP's seven (7) current directors (and director nominees) 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 Trustee and director nominees are described on pages 4 and 6, respectively, of this Information Circular.

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
(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 Trustees, all of whom are independent and all of whom are also members of the Board of Directors, meet at each regularly scheduled Liquor Stores GP meeting (in their capacity as directors) without management under the chairmanship of the independent Chair of the Trustees. Four (4) such meetings were held in 2005.
(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	<p>Jim Dinning is the Chair of the Trustees. Mr. Dinning is independent within the meaning of the CSA Disclosure Instrument. The Chair: (i) meets with the other Trustees at each regularly scheduled Trustee meeting; (ii) holds additional meetings with the Trustees at the request of any such Trustee; and (iii) communicates to the Trustees any comments, questions or suggestions of such Trustees.</p> <p>Henry Bereznicki is the Chair of the Board. Mr. Bereznicki is not independent within the meaning of the CSA Disclosure Instrument. However, five (5) of Liquor Stores GP's seven (7) current directors (and director nominees) are independent and the Compensation and Governance Committee of Liquor Stores GP is 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.</p>
(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 Trustees and directors at Trustee, Board and committee meetings during 2005 is set forth in Schedule "B" to this Information Circular.
2. Board Mandate - 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	<p>The Trustees have adopted a formal Trustees mandate, which is attached to this Information Circular as Schedule "C". The Board of Directors has adopted a formal board mandate, which is attached to this Information Circular as Schedule "D".</p> <p>The mandate of the Trustees states that, among other things, the Trustees are responsible for the stewardship of the Fund, including approving its overall strategic direction.</p> <p>Pursuant to the Fund's Declaration of Trust, the Trustees are responsible for supervising the activities and managing the investments and affairs of the Fund. Liquor Stores GP</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
3. Position Descriptions		manages the business and affairs of Liquor Stores LP and the Board of Directors is responsible for managing the business and affairs of Liquor Stores GP.
(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.	Yes	<p>The Board of Directors holds regular meetings to review the business and affairs of Liquor Stores LP 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 Liquor Stores LP. The Trustees fulfill their oversight of the strategic planning process through their participation on the Board of Directors. The Fund's business is administered by Liquor Stores GP, as administrator of the Fund.</p> <p>The Trustees have adopted formal terms of reference for the Chair of the Trustees and Trustee committee chairs. The Board of Directors has adopted formal terms of reference for the chair of the Board of Directors and Board committee chairs.</p> <p>The terms of reference of the Chair of the Trustees states that the Chair's primary role is managing the affairs of the Trustees including leading the Trustees in their proper organization, effective functioning and meeting their obligations and responsibilities. The Trustees expect the Chair to provide leadership to enhance Trustees effectiveness and to facilitate their work as a cohesive group. The Chair of the Trustees also acts as a liaison between the Trustees and management of Liquor Stores GP, as administrator of the Fund, which involves working with the Chief Executive Officer (the "CEO") of Liquor Stores GP.</p> <p>The terms of reference of the Chair of the Board states that the Chair's primary role is managing the affairs of the directors including leading the directors in their proper organization, effective functioning and meeting their obligations and responsibilities. The directors expect the Chair to provide leadership to enhance Board effectiveness and to facilitate their work as a cohesive group. The Chair of the Board also acts as a liaison between the Board of Directors and management, which involved working with the CEO.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
(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	<p>The mandates of each committee chair provide that each Chair's primary role is managing the affairs of his respective committee, including leading the committee in its proper organization, effective functioning and meeting its obligations and responsibilities. Like the Chair of the Trustees and the Chair of the Board, 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 Trustees or the Board of Directors, as applicable, on the business of their committee.</p> <p>The Board of Directors has adopted terms of reference for the CEO. The CEO's primary responsibilities include: (i) providing overall leadership and vision in developing, in concert with the Board, the strategic direction of Liquor Stores LP, (ii) providing overall leadership and vision in developing the tactics and business plans necessary to realize the objectives of Liquor Stores LP, 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.</p> <p>The Board expects the CEO and his management team to be responsible for the management of Liquor Stores LP'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 or the Trustees, 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 Liquor Stores GP or Liquor Stores LP which are not in the ordinary course of operations. In particular, the Board approves the appointment of all officers of Liquor Stores GP and the Board or the Trustees, as applicable, approve all material transactions.</p> <p>The Compensation and Governance Committee of Liquor Stores GP, together with the Chair of the Board and the CEO, develop each year goals and objectives that the CEO is responsible for meeting. The Compensation and Governance Committee and the Chair of the Board evaluate the CEO's performance in light of such goals and objectives and establish the CEO's compensation based on this evaluation. The corporate objectives that the 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>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
4. Orientation and Continuing Education		
(a) Briefly describe what measures the board takes to orient new directors regarding	Yes	The Compensation and Governance Committee is responsible for developing, monitoring and reviewing the Fund's orientation and continuing education programs for Trustees and directors. Although there have been no changes in the composition of the Trustees or directors since the completion of the Fund's initial public offering on September 28, 2004, the Compensation and Governance Committee has developed the following orientation program.
(i) the role of the board, its committees and its directors, and		New Trustees and directors will be provided with extensive information on Liquor Stores LP's business, its strategic and operational business plans, its operating performance, its financial position and the governance system of the Fund and its subsidiaries. In addition, new Trustees and directors will meet individually with the CEO and other senior executives to discuss these matters.
(ii) the nature and operation of the issuer's business.		The program is designed to ensure that prospective candidates understand the role of the Trustees and the Board, as applicable, their respective committees and the contribution that individual Trustees and directors are expected to make, including, in particular, the personal commitment expected of Trustees and directors.
(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.	Yes	The Chair of the Trustees and the Chair of the Board, in consultation with the Compensation and Governance Committee, monitor and review the continuing education programs for Trustees and directors and ensure that Trustees and directors have access to education and information on an ongoing basis and as required. Senior management makes regular presentations to the Board and the Trustees on the main areas of the Fund's business.
5. Ethical Business Conduct		
(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:	Yes	The Fund has adopted a Joint Code of Business Conduct (the " Code ").
(i) disclose how a person or company may obtain a copy of the code;		The Code is accessible on the Fund's website at www.liquorstoresgp.ca and on SEDAR at www.sedar.com . A paper copy is also available upon request from the Secretary of the Fund.
(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		The Code is distributed to and signed by each of Liquor Stores GP's salaried employees when they are hired. In addition, Liquor Stores GP conducts an annual certification process to monitor compliance with the Code of Ethics and the Chief Operating Officer reports the results of such process

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p>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>to the Board and Trustees on an annual basis.</p> <p>No material change report has been required or filed during 2005.</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 Trustee or director, as applicable, is required to disclose his or her interest and abstain from voting on the matter. In addition, the Chair of the Trustees or the Chair of the Board, as applicable, will ask the Trustee or director 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 Fund and Liquor Stores GP 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>
<p>6. Nomination of Directors</p>		
<p>(a) Describe the process by which the board identifies new candidates for board nomination.</p>	Yes	<p>The Compensation and Governance Committee of the Board is responsible for developing, reviewing and monitoring criteria, as well as establishing procedures for selecting Trustees and directors by regularly assessing the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the Trustees and directors and the circumstances and needs of the Fund and its subsidiaries. The committee identifies candidates qualified to become Trustees or Board members and selects or recommends that the Trustees select nominees for the next annual meeting of unitholders</p>
<p>(b) Disclose whether or not the board has a nominating committee composed 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.</p>	Yes	<p>The Compensation and Governance Committee is currently composed of three (3) directors, all of whom are "independent" within the meaning of the CSA Disclosure Instrument.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Yes	<p>The Trustees have adopted a formal charter for the Compensation and Governance Committee.</p> <p>The charter of the Compensation and Governance Committee with respect to governance matters provide 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 Liquor Stores GP. The committee also reviews annually the performance and effectiveness of the Board, its committees, committee chairs and Board members.</p> <p>The Trustees fulfill this responsibility directly at the Fund level after participating in discussions as members of the Board of Directors and the Compensation and Governance Committee.</p>
7. Compensation		
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	Yes	The compensation of the Board of Directors and senior officers is determined annually by the Board based on the reviews and recommendations of the Compensation and Governance Committee. The Compensation and Governance Committee reports its findings to the Trustees who fulfill this responsibility directly for the Fund
(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	All members of the Compensation and Governance Committee are "independent" within the meaning of the CSA Disclosure Instrument.
(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 and Governance Committee.

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p>(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.</p>	Not Applicable	<p>The charter of the Compensation and Governance 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 Liquor Stores GP, including the CEO and reviewing the effectiveness of Liquor Stores GP's human resources and development, succession planning and performance evaluation programs. 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 Liquor Stores GP's officers, including recommending their compensation. In collaboration with the Chair 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 Liquor Stores GP to attract, motivate and retain quality executives and personnel.</p> <p>The Compensation and Governance Committee reports its findings to the Trustees who fulfill this responsibility directly for the Fund.</p>
<p>8. Other Board Committees — If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	Yes	<p>Schedule "C" to this Information Circular lists the committees of the Trustees and the Board and their composition.</p> <p>Each committee of the Trustees and the Board is composed entirely of "independent" directors within the meaning of the CSA Disclosure Instrument.</p> <p>The function of the Audit Committee and the Compensation and Governance Committee are described elsewhere in this Schedule "A".</p> <p>The record of attendance at committee meetings is attached to this Information Circular as Schedule "B".</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p>9. Assessments — 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>	Yes	<p>Since the completion of the Fund's initial public offering on September 28, 2004, the effectiveness and contribution of the Trustees, Board, committees, chairs and individual trustees and directors has not been formally assessed. However, commencing in 2006, and thereafter on an annual basis, an assessment of the performance and effectiveness of the Trustees, the Board, committees, the Chair of the Trustees, the Chair of the Board, committee chairs and individual Trustees and directors will be undertaken, led by the Compensation and Governance Committee of the Board.</p>
<p><i>The CSA Audit Committee Rules state that the audit committee must be composed of a minimum of three (3) members, who must be "independent" directors (as defined in those rules).</i></p>	Yes	<p>The Audit Committee of the Fund consists of three (3) Trustees, namely Messrs. Heximer (Chair), Butler and Dinning.</p> <p>The Trustees have determined that all members of the Audit Committee are "independent" within the meaning of that term in the CSA Audit Committee Rules.</p>
<p><i>The CSA Audit Committee Rules state that each audit committee member must be financially literate.</i></p>	Yes	<p>The Trustees have adopted the following definition of "financial literacy": "the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's financial statements". All three (3) Trustees who constitute the Audit Committee are "financially literate" within the meaning of such definition.</p>
<p><i>The CSA Audit Committee Rules state that the audit committee must have a written charter that sets out its mandate and responsibilities.</i></p>	Yes	<p>The charter of the Audit Committee describes the role and oversight responsibilities of the Audit Committee. The primary function of the committee is to assist the Trustees in fulfilling their oversight responsibilities relating to: overseeing the integrity of the Fund's financial statements and financial reporting process, including the audit process and the Fund's internal accounting controls and procedures and compliance with related legal and regulatory requirements; overseeing the qualifications and independence of the Fund's external auditors (who report directly to the Audit Committee); overseeing the work of the Fund's financial management and external auditors in these areas; and providing an open avenue of communication between the external auditors, the Trustees, the Board, the trustees of Liquor Stores Operating Trust, Liquor Stores GP and the officers of Liquor Stores GP. The charter of the Audit Committee are attached as a schedule to the Annual Information Form of the Fund dated March 24, 2006, which is available on www.sedar.com and which may be obtained free of charge, on request, from the Secretary of the Fund.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p><i>The CSA Audit Committee Rules state that an audit committee must recommend to the Board of Directors: (a) the external auditor to be nominated for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services for the issuer; and (b) the compensation of the external auditor.</i></p>	Yes	<p>The charter of the Audit Committee state that the committee is responsible for recommending the external auditors, their compensation, as well as evaluating and monitoring their qualifications, performance and independence.</p>
<p><i>The CSA Audit Committee Rules state that the audit committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.</i></p>	Yes	<p>The charter of the Audit Committee provides that the committee is responsible for overseeing the external auditors including any disagreement with management and the resolution thereof.</p>
<p><i>The CSA Audit Committee Rules state that an audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.</i></p>	Yes	<p>The charter of the Audit Committee state that the committee determines which non-audit services the external auditors are prohibited from providing, approving or pre-approving policies defining audit and permitted non-audit services provided by the external auditors, and overseeing the disclosure of all audit and permitted non-audit services provided by the external auditors.</p>
<p><i>The CSA Audit Committee Rules state that an audit committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses this information. These rules also mention that the audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in the preceding sentence, and must periodically assess the adequacy of those procedures.</i></p>	Yes	<p>The charter of the Audit Committee provide that the committee is responsible for reviewing the annual and quarterly financial statements of the Fund and accompanying information including the Fund's MD&A disclosure, prior to their release, filing and distribution. The committee must also review the financial information contained in documents required to be disclosed or filed by the Fund before their disclosure or filing with regulatory authorities.</p>
<p><i>The CSA Audit Committee Rules state that an audit committee must establish procedures for: (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.</i></p>	Yes	<p>The charter of the Audit Committee provide that the committee must establish procedures for the confidential receipt, retention and treatment of complaints or concerns received by the Fund regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p><i>The CSA Audit Committee Rules state that the audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.</i></p>	Yes	<p>The charter of the Audit Committee provide that the committee is responsible for reviewing hiring policies for employees or former employees of the Fund's firm of external auditors.</p>
<p><i>The CSA Audit Committee Rules state that the audit committee must have the authority: (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties, (b) to set and pay the compensation for any advisors employed by the audit committee; and (c) to communicate directly with the internal and external auditors.</i></p>	Yes	<p>In performing its responsibilities, the Trustees or a committee of the Trustees may, as required, engage an outside adviser at the expense of the Fund. The charter of the Audit Committee states that the committee may obtain advice and assistance from outside legal, accounting or other advisors and has sole authority to retain and terminate any such advisor and to approve any such advisor's retention terms. the Fund must provide appropriate funding for the Audit Committee, including the payment of all outside legal, accounting and other advisors retained by the committee.</p>

SCHEDULE "B"

**RECORD OF ATTENDANCE BY TRUSTEES AND DIRECTORS
For the year ended December 31, 2005**

Trustees	Number of meetings attended	
	Trustees	Committees
R. John Butler, Q.C.	6 of 6	7 of 7
Jim Dinning	5 of 6	6 of 7
Glen H. Heximer	6 of 6	7 of 7

Directors	Number of meetings attended	
	Directors	Committees
Henry Bereznicki	9 of 9	N/A
R. John Butler	9 of 9	6 of 6
Jim Dinning	8 of 9	6 of 6
Robert S. Green	8 of 9	N/A
Glen H. Heximer	9 of 9	6 of 6
Irving Kipnes	8 of 9	N/A
David B. Margolus	9 of 9	N/A

Summary of Trustee, Director and Committee meetings held

Trustees	6
Directors	9
Audit	7
Compensation and Governance	6

LIST OF COMMITTEE MEMBERS

AUDIT COMMITTEE

Glen H. Heximer, *Committee Chair*
R. John Butler
Jim Dinning

COMPENSATION AND GOVERNANCE COMMITTEE

R. John Butler, *Committee Chair*
Jim Dinning
Glen H. Heximer

SCHEDULE "C"

LIQUOR STORES INCOME FUND

MANDATE FOR THE BOARD OF TRUSTEES

The term "**Fund**" refers to Liquor Stores Income Fund, the term "**Board**" refers to the board of trustees of the Fund and the term "**Governance Agreements**" refers, collectively, to the **Declaration of Trust** of the Fund, the **Administration Agreement** between the Fund, Liquor Stores Operating Trust ("**LSOT**") and Liquor Stores GP Inc. (the "**GP**"), the **Securityholders Agreement** between the Fund, LSOT and the GP, Liquor Stores Limited Partnership (the "**LP**") and others, the **Exchange Agreement** between the Fund, LSOT, the GP, the LP and others and the **Limited Partnership Agreement** governing the LP.

The Board is elected by the unitholders and is responsible for the stewardship of the affairs of the Fund. The Board seeks to discharge such responsibility by reviewing and discussing the Fund's investments, and in particular the Fund's interest in the LP and the GP, and, as an investor, monitoring the stewardship of the GP by its board of directors, subject to the provisions of the Governance Agreements.

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the Fund. To the extent within its authority to do so, the Board seeks to discharge this responsibility by satisfying itself as to the integrity of the senior management of the GP, as administrator (the "**Administrator**") of the Fund pursuant to the Administration Agreement, and, as an investor, monitoring the integrity of the senior management of the LP and the GP.

Although trustees may be elected by the unitholders 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 Fund and unit holders must be paramount at all times.

DUTIES OF TRUSTEES

The Board discharges its responsibilities directly and through its committee, the Audit Committee (the "**Audit Committee**"). In addition to this regular committee, 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 Fund, principal duties include, but are not limited to the following categories:

Oversight of Administrator

1. In accordance with the Declaration of Trust and the Administration Agreement, the Board has delegated authority for certain management and administrative matters to the Administrator but has retained authority for the oversight of the overall management of the Fund. This delegation is summarized in the General Authority Guidelines in **Schedule "A"** that require either prior authorization by the Board or periodic review by the Board in respect of specified matters.
2. The Board has the responsibility for approving the appointment of any officers of the Fund (collectively, the "**Fund Officers**"), and approving the compensation of Fund Officers and employees, if any.
3. The Board may from time to time delegate authority to the Administrator, to Fund Officers, if any, or others as permitted by the Declaration of Trust. Matters that are outside the scope of the authority delegated to the Administrator or others and material transactions are reviewed by and subject to the prior approval of the Board.

Monitoring of Investments and Related Matters

4. As an investor, the Board will monitor and review the Fund's investments including its investments in LSOT and its indirect investments through LSOT in the LP and the GP and may question the strategies and plans of the LP and the GP.

5. The Board has the responsibility for monitoring the compliance by the LP and the GP with the Governance Agreements to which the Fund is a party.

6. The Board is responsible for considering appropriate measures it may take as an investor in the LP and the GP if the performance of the LP or the GP, as the case may be, falls short of its goals or other special circumstances warrant or if the LP or the GP does not fulfill its obligations under the Governance Agreements to which the Fund is a party.

Financial Performance and Financial and Other Reporting Matters

7. Based on the recommendations of the Audit Committee, the Board is responsible for approving the audited consolidated financial statements of the Fund and the notes and Management's Discussion and Analysis accompanying such consolidated financial statements.

8. The Board is responsible for reviewing and approving material transactions involving the Fund and those matters that the Board is required to approve under the Declaration of Trust including the payment of distributions, the issuance of trust units, acquisitions and dispositions of material assets by the Fund and material expenditures by the Fund.

Board Organization

9. The Board retains the responsibility for managing its own affairs including its composition, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and trustee compensation.

10. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, if any, the approval of interim financial results of the Fund, the conduct of performance evaluations and oversight of the Fund's internal control systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

Policies and Procedures

11. The Board is responsible for:

- (a) approving and monitoring compliance with all significant policies and procedures by which the Fund is operated;
- (b) approving policies and procedures designed to ensure that the Fund operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
- (c) enforcing obligations of the trustees respecting confidential treatment of the Fund's proprietary information and Board deliberations.

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

Communications and Reporting

13. The Board is responsible for:

- (a) overseeing the accurate reporting of the financial performance of the Fund to unitholders, other security holders and regulators on a timely and regular basis;
- (b) overseeing that the financial results of the Fund are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements;

- (c) ensuring the integrity of the internal control and management information systems of the Fund;
- (d) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Fund;
- (e) reporting to unitholders on its stewardship as may be required under applicable securities laws and the rules of any stock exchange on which the Fund's units are listed for trading;
- (f) overseeing the investor relations and communications strategy of the Fund; and
- (g) overseeing the Fund's implementation of systems that accommodate feedback from unitholders.

SCHEDULE "A"

LIQUOR STORES INCOME FUND GENERAL AUTHORITY GUIDELINES

AUTHORITY OF THE ADMINISTRATOR

The Fund does not have any officers or employees, other than the Chair of the Board, who is not an employee. As permitted by the Declaration of Trust, the Fund has retained the GP as Administrator pursuant to the Administration Agreement to provide or arrange for the provision of services required in the management administration of the Fund. An extract from the Administration Agreement setting out the specific services to be provided by the Administrator is attached as **Appendix "1"**.

The trustees have retained responsibility for oversight of the overall management of the Fund. This responsibility is subject to the provisions of the Declaration of Trust, the other Governance Agreements and applicable law.

MATTERS REQUIRING TRUSTEES OR COMMITTEE OF TRUSTEES APPROVAL OR REVIEW

I. Organizational Changes and Policy

1. Approve major changes to the organization of the Fund such as the creation or divestiture of significant investments or acquisitions.
2. Approve adoption of or changes to Fund policies with application to the conduct of trustees, including the Joint Disclosure Policy.
3. Review of adherence to the policies of the Fund.
4. Approve proposed changes to the Declaration of Trust or other Governance Agreements to which the Fund is a party.

II. Financial and Corporate

5. Upon receipt of a recommendation for approval from the Audit Committee, approve the Fund's annual audited consolidated financial statements, annual report, management proxy circular and annual securities law filings.
6. Upon receipt of a recommendation for approval from the Audit Committee, approve the Fund's interim consolidated financial statements and other reporting in accordance with the Fund's Joint Disclosure Policy and the Audit Committee Charter.
7. Upon receipt of a recommendation for approval from the CEO and CFO of the GP approve the declaration of distributions and changes to Fund policy in respect thereof.
8. Approve any distribution reinvestment plan.
9. Approve changes in authorized capital, listing of securities, issuance or repurchase of units, issuance, repurchase or redemption of debt securities and any prospectuses or circulars in connection therewith other than pursuant to redemptions in accordance with the Declaration of Trust.
10. Upon receipt of a recommendation for approval from the CEO and CFO of the GP approve material borrowing, hedging and granting of guarantees by the Fund, if any.

11. Review significant changes in the Fund's accounting practices or policies.
12. Review findings of any regulatory agencies concerning the financial information of the Fund and the Administrator's response.
13. Approve adoption of unit option, unit purchase or other unit based compensation arrangements, if any, that involve the issuance of units by the Fund or involve the purchase of units by the Fund.

III. External Auditors of the Fund

14. Approve appointment of external auditors of the Fund, establishment of their fees and annual audit plan.
15. Review independence of the Fund's external auditors.
16. Review findings of external audit review and the Administrator's response.

IV. Risk Management

17. Review the Fund's risk management and insurance coverages, if any.
18. Review the Fund's conduct of litigation that could materially affect the financial condition of the Fund.
19. Review effectiveness of the Fund's internal control procedures.

V. Management and Administration

20. Monitor the performance of the Administrator pursuant to the Administration Agreement.
21. As an investor, monitor and evaluate the Fund's investments including its investments in the LP and the GP.
22. Approve appointment or removal of officers or employees of the Fund, if any.

APPENDIX "1"

EXTRACT FROM ADMINISTRATION AGREEMENT

ARTICLE 2 SERVICES

Defined terms herein have the meanings set out in the Administration Agreement.

2.1 Administrative and Support Services for the Fund

Subject to and in accordance with the terms, conditions and limitations of the Declaration of Trust, the Fund hereby delegates to the Administrator, and the Administrator hereby agrees to provide and be responsible for, management, administrative and support services necessary for the operation of the Fund, including the following:

- (a) undertake any matters required by the terms of the Declaration of Trust to be performed by the Trustees, which are not otherwise delegated therein or herein and generally provide all other services as may be necessary or as requested by the Trustees for the management and administration of the Fund;
- (b) assist the Trustees in making all determinations necessary for the discharge of the Trustees' obligations under the Declaration of Trust;
- (c) retain and monitor, on behalf of the Trustees, a transfer agent and other persons serving the Fund;
- (d) authorize and pay on behalf of the Fund operating expenses incurred on behalf of the Fund and negotiate contracts with third party providers of services (including, but not limited to, transfer agents, legal counsel, auditors and printers);
- (e) provide office space, telephone, office equipment, facilities, supplies and executive, secretarial, bookkeeping, general accounting and clerical services;
- (f) deal with banks and other institutional lenders, including in respect of maintenance of bank records and the negotiation and securing of bank financing or refinancing or one or more credit or debt facilities, hedging or swap facilities or other ancillary facilities in respect of the Fund or any entity in which the Fund holds any direct or indirect interest;
- (g) prepare and provide to the Trustees for their review and approval all annual audited and interim unaudited financial statements of the Fund, income tax returns and filings in sufficient time prior to the dates upon which they must be delivered to Unitholders and/or filed so that the Trustees have a reasonable opportunity to review and approve them, execute them and return them to the Administrator, and arrange for their delivery to Unitholders and/or filing within the time required by applicable law;
- (h) assist the Trustees in computing distributions to Unitholders including calculating Cash Flow (as defined in the Declaration of Trust) and facilitate payment of distributions properly declared payable by the Fund;
- (i) ensure compliance by the Fund with all applicable securities laws, including continuous disclosure obligations;
- (j) ensure compliance by the Fund with stock exchange rules;
- (k) provide all communications and related services to the Fund, including government relations services, drafting, approval and distribution of all press releases related to distributions to Unitholders, earnings and other disclosable events, in compliance with the Fund's policies on disclosure and all applicable securities laws related to disclosure of material information;

- (l) prepare on behalf of the Fund any circular or other disclosure document required under applicable securities legislation with respect to an offer to acquire securities of another person or in response to an offer to purchase Trust Units;
- (m) provide investor relations services to the Fund;
- (n) at the request and under the direction of the Trustees, call and hold all annual and/or special meetings of Unitholders pursuant to the Declaration of Trust and prepare for approval by the Trustees and arrange for the distribution of all materials (including notices of meetings, information circulars and instrument of proxy) in respect thereof;
- (o) prepare and provide or cause to be provided to Unitholders on a timely basis all information to which Unitholders are entitled under the Declaration of Trust and under Applicable Laws, including quarterly and annual reports, notices, financial statements and tax information relating to the Fund;
- (p) obtain and pay for the costs of liability insurance for the protection of the Fund and its affiliates, and their respective trustees, directors and officer against such risks, to such limits and with such deductibles and such other terms as are approved by the Trustees from time to time;
- (q) attend to all administrative and other matters arising in connection with any redemptions of Trust Units or LSOT Units;
- (r) ensure that the Fund elects in the prescribed manner and within the prescribed time under subsection 132(6.1) of the *Income Tax Act* (Canada) to be a "mutual fund trust" within the meaning of that Act since inception, assuming the requirements for such election are met, ensure that the Fund elects under the analogous provisions of any applicable provincial tax legislation, monitor the Fund's status as a mutual fund trust and provide the Trustees with written notice when the Fund ceases or is at risk of ceasing to be such a mutual fund trust;
- (s) monitor the investments of the Fund to ensure that the aggregate cost amount of the "foreign property" of the Fund does not exceed the limits prescribed in the *Income Tax Act* (Canada) and the analogous provisions of any applicable provincial tax legislation, which would result in the Trust Units being "foreign property", and ensure compliance with the Fund's limitations on non-resident ownership, as more particularly set out in Section 2.6;
- (t) provide advice to the Trustees with respect to the timing and terms of future offerings of Trust Units, if any;
- (u) assist the Trustees in connection with any offerings of Trust Units, including preparing any prospectus or comparable documents of the Fund to qualify the distribution of securities of the Fund from time to time; and
- (v) promptly notify the Fund of any event that might reasonably be expected to have a material adverse effect on the affairs of the Fund.

2.2 Administrative and Support Services for LSOT

Subject to and in accordance with the terms, conditions and limitations of the LSOT Declaration of Trust, LSOT hereby delegates to the Administrator, and the Administrator hereby agrees to provide and be responsible for, management, administrative and support services necessary for the operation of LSOT, including matters of the nature referred to in subsections 2.1(a)-(h), (n)-(q), (s) and (v), *mutatis mutandis* and matters relating to the LSOT Note Indenture.

2.3 Termination or Suspension of Service

Either the Fund or LSOT may at any time terminate this agreement or at any time and from time to time terminate or suspend the provision of any particular service to be provided under this agreement by the Administrator.

2.4 Covenants of the Administrator

The Administrator covenants and agrees that in the performance of its services under this agreement it shall:

- (a) perform all services at all times in compliance with Applicable Laws;
- (b) comply with all instructions of the Trustees and LSOT Trustees, as applicable, in relation to the performance of its services hereunder; and
- (c) observe and perform or cause to be observed and performed on behalf of each of the Fund and LSOT in every material respect the provisions of (i) the agreements from time to time entered into in connection with the activities of the Fund or LSOT, as the case may be, and (ii) all Applicable Laws.

2.5 Administrator's Acknowledgement

The Administrator acknowledges that it has received a copy of each of the Declaration of Trust and the LSOT Declaration of Trust and is familiar with and understands the duties of the respective parties thereto, including those duties of the Trustees and LSOT Trustees that are being delegated to the Administrator under this agreement.

2.6 Non-Resident Unitholders

The Administrator shall use reasonable efforts to monitor the residence status of Unitholders. If, at any time, the Administrator is of the opinion that the Trustees should require declarations as to the residence status of Unitholders under Section 14.1 of the Declaration of Trust, it shall so advise the Trustees and provide the form of the declaration therefore to the Trustees. If, in the reasonable opinion of the Administrator, the beneficial owners of 49 percent or more of the Trust Units on either a non-diluted or a diluted basis are or may be non-residents of Canada within the meaning of the *Income Tax Act* (Canada) or such a situation is reasonably possible, it shall so advise the Trustees and provide the Trustees with an announcement thereof in a form suitable for use by the Trustees pursuant to Section 14.1 of the Declaration of Trust. If the Administrator reasonably believes that 49 percent or more of the Trust Units on either a non-diluted or a diluted basis are held by non-residents of Canada, it shall prepare and furnish to the Trustees notices to the non-resident Unitholders, requiring them to sell their units or a specified portion thereof within a specified period of time of not less than 60 days, in accordance with the Declaration of Trust. The Trustees shall provide the Administrator with such information regarding the residence status of Unitholders and the order of acquisition or registration thereof as the Administrator may reasonably request, from time to time, that the Trustees may have in their possession in order to assist the Administrator in fulfilling its obligations under this Section 2.6.

2.7 Authority of Administrator

Subject to Section 2.9 and the terms of the Declaration of Trust and/or LSOT Declaration of Trust, as applicable, the Administrator shall have full right, power and authority, and each of the Fund and LSOT hereby nominates, constitutes and appoints the Administrator, with full power of substitution, as its agent and true and lawful attorney to act on its behalf with full power and authority in its name, place and stead, to execute and deliver all contracts, leases, licenses, agreements, instruments and other documents and to make applications and filings with Governmental Authorities and to take such other actions as the Administrator considers appropriate in connection with:

- (a) the services to be provided to the Fund hereunder in the name of and on behalf of the Fund, and no person shall be required to determine the authority of the Administrator to give any undertaking or enter into any commitment on behalf of the Fund, provided that the Administrator shall not have the authority to commit to any transaction that would require the approval of the Unitholders in accordance with the Declaration of Trust, and provided further that in providing services hereunder the Administrator shall exercise all voting rights attached to the LSOT Units in accordance with the terms of the Declaration of Trust; and
- (b) the services to be provided to LSOT hereunder in the name of and on behalf of LSOT, and no person shall be required to determine the authority of the Administrator to give any undertaking or enter into any commitment on behalf of LSOT, provided that the Administrator shall not have the authority to commit to any transaction

which would require the approval of the holders of LSOT Units in accordance with the LSOT Declaration of Trust, and provided further that in providing services hereunder the Administrator shall exercise all voting rights attached to its interests in Liquor Stores LP in accordance with the LSOT Declaration of Trust.

2.8 Powers and Authorities of the Administrator

The Administrator shall have, subject to the provisions of this agreement and the Declaration of Trust or the LSOT Declaration of Trust, as the case may be, all requisite powers and authorities, during the Term, to provide the management, administrative and support services contemplated herein to the Fund and to LSOT.

2.9 Restrictions on the Administrator's Powers and Authorities

In the exercise of its powers and authority and in the performance of its obligations, covenants and responsibilities hereunder, the Administrator shall not, without first obtaining the written approval of the Trustees and the LSOT Trustees, charge or receive fees from any of the parties to this agreement other than the expense reimbursement pursuant to Section 3.1 hereunder.

2.10 Execution of Documents

- (a) The Administrator may execute any document (including, without limitation, any prospectus or other disclosure document) required to be executed pursuant to the terms hereof on behalf of the Fund in the following forms or such variations thereof as the Administrator shall from time to time determine:

LIQUOR STORES INCOME FUND
By its [administrator/attorney/agent], LIQUOR STORES GP INC.

Per: _____
Authorized Signatory

or

LIQUOR STORES GP INC.
as [attorney/agent for and on behalf of] [as administrator of]
LIQUOR STORES INCOME FUND

Per: _____
Authorized Signatory

and, in the case of a prospectus or similar disclosure document, provide for such signatures as may be required by Applicable Laws.

- (b) The Administrator may execute any document (including, without limitation, any prospectus) required to be executed pursuant to the terms hereof on behalf of LSOT in the following forms or such variations thereof as the Administrator shall from time to time determine:

LIQUOR STORES OPERATING TRUST
By its [administrator/attorney/agent]

LIQUOR STORES GP INC.

Per: _____
Authorized Signatory

or

LIQUOR STORES GP INC.
 as [attorney/agent for and on behalf of] [as administrator of]
 LIQUOR STORES OPERATING TRUST

Per: _____
 Authorized Signatory

and, in the case of a prospectus or similar disclosure document, provide for such signatures as may be required by Applicable Laws.

All reasonable efforts shall be made to ensure that every agreement entered into on behalf of the Fund and/or LSOT by the Administrator shall (except as the Administrator may otherwise expressly agree in writing with respect to personal liability of the Administrator) include a provision substantially to the following effect:

The parties hereto acknowledge that [the Administrator] is entering into this agreement solely in its capacity as agent on behalf of [the Fund/LSOT] and the obligations of [the Fund/LSOT] hereunder shall not be personally binding upon any of [the applicable trustees], [the Administrator] or any of the unitholders of [the Fund/LSOT] and that any recourse against [the Fund/LSOT], [the applicable trustees], [the Administrator] or any Unitholder in any manner in respect of any indebtedness, obligation or liability of [the Fund/LSOT] arising hereunder or arising in connection herewith or from the matters to which this agreement relates, if any, including without limitation claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the [Trust Assets] as defined in the declaration of trust of [the Fund/LSOT], as amended.

This provision shall be enforced by the Administrator for the benefit of the holders of Trust Units and Special Voting Units and/or the holders of LSOT Units, as the case may be. The omission of such a provision from any such written agreement shall not operate to impose personal liability on the Trustees, the LSOT Trustees, the Administrator, any holder of Trust Units or Special Voting Units or any holder of a LSOT Unit.

2.11 Representatives

The Administrator may, from time to time, designate personnel to coordinate the delivery of the services to be provided by the Administrator under this agreement.

2.12 Third Party Service Providers

Subject to Section 6.1, the Administrator may retain third parties to provide services customarily provided by third party service providers, including (without limiting the generality of the foregoing) accounting services, financial services, external legal counsel, and the provision of tax information to Unitholders.

2.13 Ratification of Prior Acts

Each of the Fund and LSOT acknowledges, authorizes, ratifies and confirms all acts undertaken and completed by the Administrator on its behalf prior to the date hereof, which if undertaken or completed during the term of this Agreement would have been within the scope of the authority provided to the Administrator herein.

SCHEDULE "D"

LIQUOR STORES GP INC.

MANDATE FOR THE BOARD OF DIRECTORS

The term "**GP**" refers to Liquor Stores GP Inc., the term "**Board**" refers to the board of directors of the GP and the term "**Governance Agreements**" refers, collectively, to the **Declaration of Trust** of the Liquor Stores Income Fund (the "**Fund**"), the **Administration Agreement** between the Fund Liquor Stores Operating Trust ("**LSOT**") and the GP, the **Securityholders Agreement** between the Fund, LSOT, the GP, Liquor Stores Limited Partnership (the "**LP**") and others, the **Exchange Agreement** between the Fund, LSOT, the GP, the LP and others and the **Limited Partnership Agreement** ("**Partnership Agreement**") governing the LP.

The Board is elected by the shareholders in accordance with the provisions of the Securityholders Agreement and the Declaration of Trust and is responsible for the stewardship of the affairs of the GP. The Board seeks to discharge such responsibility by reviewing and discussing the strategies and plans of management ("**Management**") of the GP and its subsidiaries and supervising Management, monitoring the performance of the LP and its subsidiaries and exercising its voting and management rights as 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 GP 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 GP, 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 GP and its shareholders must be paramount at all times.

Duties of Directors

The Board discharges its responsibilities directly and through its committee, the Compensation and Governance Committee. In addition to this regular committee, 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 GP, 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 Chairman and the Chief Executive Officer and any other officers of the GP (collectively, the "**GP Officers**"), and approving the compensation of the Chairman of the Board, Chief Executive Officer and other officers and employees of the GP following a review of the recommendations of the Compensation and Governance Committee.
2. The Board has delegated authority to the Chief Executive Officer for the overall management and operations of the GP, to ensure the long term success of the GP. The Board has also delegated the responsibility to ensure that all Governance Agreements are complied with to the Chief Executive Officer and Chairman. The Chief Executive Officer will work in conjunction with the Chairman on strategy related issues to ensure the long term success of the GP. This delegation is subject to the General Authority Guidelines in **Schedule "A"** that require 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 GP Officers, subject to specified limits. Matters that are outside the scope of the authority delegated to the GP 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 GP 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 GP and the LP.

6. The Board has oversight responsibility for reviewing systems for managing the principal risks of the GP'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 GP or the LP 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 GP and the LP, and shall be responsible to review the consolidated financial statements of the Fund, LSOT, the GP and the LP and shall provide its recommendation for approval of such consolidated financial statements to the audit committee of the Fund.

9. The Board is responsible for reviewing and approving material transaction involving the GP and those matters which the Board is required to approve under its governing legislation and the Governance Agreements, including the payment of distributions, acquisitions and dispositions of material assets by the GP or the LP and material expenditures by the GP or the LP.

10. 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 GP and considering the principal risks relating to the LP.

Board Organization

12. The Board will respond to recommendations received from the Compensation and Governance Committee, but, subject to the Governance Agreements, retains the responsibility for managing its own affairs by giving approval for its composition, the selection of the Chair of the Board, 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 GP is operated;
 - (b) approving policies and procedures designed to ensure that the GP 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 GP's and the LP'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 GP and the LP to shareholders, on a timely and regular basis;
 - (b) overseeing that the financial results of the GP and the LP 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 GP and the LP; and
 - (d) taking steps to enhance the timely disclosure to the Fund of any other developments that have a significant and material impact on the Fund to enable the Fund to comply with its timely disclosure obligations.

SCHEDULE "A"

LIQUOR STORES GP INC. GENERAL AUTHORITY GUIDELINES

AUTHORITY OF THE MANAGEMENT

The GP may have a Chairman and may have a Chief Executive Officer. The initial Chairman is Henry Bereznicki and the initial Chief Executive Officer is Irv Kipnes.

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

This responsibility is subject to the provisions of applicable law, the articles and by-laws of the GP, 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 GP 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 GP, the LP or their respective subsidiaries, such as the creation or divestiture of investments or acquisitions.
2. Approve the adoption of or changes to GP policies with application to the conduct of directors, including the Joint Disclosure Policy of the Fund.
3. Review of adherence to the policies of the GP.
4. Approve any proposed changes to the GP's articles or by-laws or the Governance Agreements.

II. Budgets, Plans and Commitments

1. Review and approve the annual budget of the LP and the annual budget for the GP, if any.
2. Approve any capital commitments in any year not contained in the approved budget of the LP or the GP over \$300,000 in aggregate ("Capital Commitment Approval Threshold"), provided that the board of trustees of the Fund (the "Fund Board") is given timely notice of any capital commitments made below the Capital Commitment Approval Threshold, and further provided that the Fund Board has given its prior approval to any press release required for any capital commitment made below the Capital Commitment Approval Threshold.
3. Approve any single capital commitment for an acquisition or acquisitions exceeding \$2,000,000 (inclusive of related store development costs), in aggregate ("Acquisition Approval Threshold"), provided that the Fund Board is given timely notice of any such acquisition or acquisitions, and further provided that the Fund Board has given its prior approval to any press release required for any such acquisition or acquisitions made below the Acquisition Approval Threshold.

4. Approve any single divestiture of less than \$2,000,000 ("Divestiture Approval Threshold") provided that the Fund Board is given timely notice of any such divestiture, and further provided that the Fund Board has given its approval to any press release required as a result of a divestiture below the Divestiture Approval Threshold.
5. Approve long range business planning in accordance with the policies of the GP.
6. Approve major agreements or long-term leases outside the ordinary course of business of the GP or the LP, including, without limitation, approving all related party agreements and or related party leases.

III. Financial and Corporate

1. Approve the annual audited financial statements of the Fund, and the management prepared financial statements for GP, LSOT and the LP, if prepared.
2. Approve the interim financial statements of the Fund.
3. Approve the distribution policy of the Fund, LSOT, GP and the LP, if any, including approving declaration of dividends of the GP, if any.
4. Approve changes in authorized capital, issuance or repurchase of shares, debt securities and related prospectuses or trust indentures, if any.
5. Generally review operating and financial performance relative to budgets and objectives in the context of the general partner of the LP.
6. Review significant changes in accounting practices or policies.
7. 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.
8. Review significant changes in accounting practices or policies.

IV. External Auditors of the Fund

1. Approve appointment of external auditors, establishment of their fees and annual audit plan.
2. Review independence of external auditors.
3. Review findings of external audit review and Management's response.
4. Risk Management.
5. Review the GP's and the LP's risk management and insurance coverage.
6. Review the GP's conduct of litigation that could materially affect the financial condition of the GP or the LP.
7. Review effectiveness of internal control procedures.

V. Management and Human Resources

1. Approve appointment or removal of the Chief Executive Officer, the Chairman, the Chief Operations Officer and the Chief Financial Officer of the GP ("**Senior Executives**");

2. Confirm appointments of other officers.
3. Evaluate performance of the Chairman and the Chief Executive Officer.
4. Approve compensation for the Chairman and the Chief Executive Officer and other Senior Executives and review performance.
5. Approve contracts with Senior Executives including special termination provisions or payments.
6. Approve adoption of unit purchase or other unit based compensation arrangements, if any.
7. 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 GP or the LP.
8. Review Senior Executive succession plans.

SCHEDULE "E"

FORM OF AMENDED AND RESTATED DECLARATION OF TRUST AMENDMENT RESOLUTION

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. subsection 4.1(a) of the amended and restated declaration of trust of the Fund shall be deleted and replaced in its entirety with the following:

"The Trust is a limited purpose trust and its operations and activities are restricted to:

(a) acquiring, investing in, transferring, disposing of and otherwise dealing with debt and equity securities of the Operating Trust, the GP, Liquor Stores LP and other corporations, partnerships, trusts or other persons involved, directly or indirectly: (i) in the retail liquor business (including the Company Stores); and (ii) in any other business whatsoever (including, without limitation, a bar, cabaret, nightclub, restaurant, pub or hotel) that permits or would permit the entity operating such business and/or one or more of the Fund's affiliates to hold or exercise control or direction over (or be eligible to apply for and acquire and thereafter hold or exercise control or direction over) a license (or similar or equivalent permit, right or entitlement) granted by the applicable regulatory authorities for the sale of liquor products (and any other products permitted to be sold by the license) for off-premises consumption and/or use; and all activities ancillary or incidental thereto and such other investments as the Trustees may determine;"

2. any single trustee of the Fund and Liquor Stores GP Inc., as the administrator of the Fund, be and is hereby authorized and directed for and on behalf of the Fund, to do such things and execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions and, without limitation of the foregoing and to the extent such authorization of the unitholders of the Fund is required, the Fund, Liquor Stores Operating Trust ("**LSOT**"), Liquor Stores GP Inc., Liquor Stores Limited Partnership and any other direct or indirect subsidiary entity of the Fund are hereby authorized and directed to amend the amended and restated declaration of trust of LSOT and to amend the amended and restated limited partnership agreement of Liquor Stores Limited Partnership, in each case to effect amendments substantially the same as those made to the amended and restated declaration of trust of the Fund pursuant to paragraph 1 and, without limitation, to confirm that Liquor Stores Limited Partnership may carry on any business or activity in which the Fund or LSOT are permitted to invest, directly or indirectly."