

**ANNUAL AND SPECIAL MEETING**

Tuesday, June 16, 2009  
10:00 a.m. at Union Bank Inn  
10053 Jasper Avenue  
Edmonton, Alberta



**LIQUOR STORES INCOME FUND**

**Notice of Annual and Special Meeting of Unitholders  
and Information 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 Giverny Ballroom of Union Bank Inn, 10053 Jasper Avenue, Edmonton, Alberta, on Tuesday, June 16, 2009, at 10:00 a.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, 2008, and the auditors' report thereon;
- (2) to direct CIBC Mellon Trust Company, corporate trustee of the Fund, to elect the directors of Liquor Stores GP Inc. ("**Liquor Stores GP**"), administrator of the Fund;
- (3) to appoint the auditors of the Fund and to authorize the directors to fix their remuneration as such;
- (4) to consider, and if deemed advisable, to pass, with or without variation, a resolution approving and confirming the Unit Option Plan described in the Information Circular; and
- (5) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

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

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, PO Box 721, Agincourt, Ontario, M1S 0A1 (or by facsimile to 416-368-2502 or toll free: 1-866-781-3111 Canada & U.S. only). 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 May 7, 2009 (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 4th day of May, 2009.

BY ORDER OF THE DIRECTORS OF LIQUOR STORES GP INC.,  
ADMINISTRATOR OF LIQUOR STORES INCOME FUND

(Signed) "*Irv Kipnes*"  
Executive Chairman, The Board of Directors  
Liquor Stores GP Inc.

## LIQUOR STORES INCOME FUND

### INFORMATION CIRCULAR

(Containing information as at May 4, 2009 unless indicated otherwise)

#### PROXY SOLICITATION AND VOTING MATTERS

##### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the directors (the "**Directors**") of Liquor Stores GP Inc. ("**Liquor Stores GP**"), administrator of Liquor Stores Income Fund (the "**Fund**"), on behalf of CIBC Mellon Trust Company, corporate trustee of the Fund (the "**Trustee**"), 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 Giverny Ballroom of Union Bank Inn, 10053 Jasper Avenue, Edmonton, Alberta, at 10:00 a.m. (Edmonton time), on Tuesday, June 16, 2009, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the Directors, officers and regular employees of Liquor Stores GP, as administrator of the Fund, who will not be specifically remunerated therefore. All costs of solicitation of proxies by or on behalf of the Directors 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, 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, PO Box 721, Agincourt, Ontario, M1S 0A1 (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 Chairman 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 Director representatives designated in the enclosed form of proxy will vote or withhold from voting the Voting 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 Voting Units will be voted accordingly. Where no choice is specified in the form of proxy, such Voting 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 Directors.

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 Directors. In the event that

amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the Director representatives designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the Directors know of no such amendment, variation or other matter that may be presented to the Meeting.

## INFORMATION FOR BENEFICIAL 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 Voting 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 Voting 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 Ltd. ("**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 Voting Units. Voting 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 Voting 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 voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Unitholders and asks for appropriate instructions respecting the voting of Voting Units to be represented at the Meeting. Beneficial Unitholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Unitholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions with respect to the Voting Units held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Voting Units to be represented at the Meeting. A Beneficial Unitholder receiving a voting instruction form cannot use that voting instruction form to vote Voting Units directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Voting Units voted. Beneficial Unitholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Voting 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 Voting 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 Voting Units voted at the Meeting.

## FUND STRUCTURE

The Fund is an unincorporated open ended, limited purpose trust established under the laws of the Province of Alberta, pursuant to the declaration of trust, originally dated August 10, 2004, as amended and restated September 1, 2008 (the

**“Declaration of Trust”**). The Units of the Fund trade on the Toronto Stock Exchange under the symbol LIQ.UN. The Fund does not carry on an active business, but at May 4, 2009, through its indirect ownership of Liquor Stores Limited Partnership (**“Liquor Stores LP”**), the Fund operates or has investments in 224 retail liquor stores in Alberta, British Columbia, Nova Scotia, and Alaska and five (5) small pubs and wine bars in British Columbia. Liquor Stores LP has issued ordinary (**“Ordinary LP Units”**), Exchangeable (**“Exchangeable LP Units”**) and Series 1 Exchangeable (**“Series 1 Exchangeable LP Units”**) limited partnership units. The Ordinary LP Units are held by Liquor Stores Operating Trust (the **“LSOT”**) and Liquor Barn Operating Trust (the **“LBOT”**). All of the LSOT and LBOT trust units are owned by the Fund. The Exchangeable LP Units are held by corporations and associated entities of the initial vendor group of Liquor Stores LP. Liquor World Group Inc. (**“Liquor World”**) owns 30% of the outstanding Exchangeable LP Units. Prior to January 1, 2008, 61% of Exchangeable LP Units were owned by The Liquor Depot Corporation (**“Liquor Depot”**). On January 1, 2008, Liquor Depot completed an internal reorganization following which Liquor Depot now holds 11% of Exchangeable LP Units and certain shareholders of Liquor Depot hold 50% of Exchangeable LP Units. The Series 1 Exchangeable LP Units are owned by corporations that were members of the founders group of Liquor Barn Limited Partnership.

Liquor Stores GP is the general partner of Liquor Stores LP and acts as the administrator of the Fund pursuant to an administration agreement dated September 1, 2008 between the Fund, the Trustee, and Liquor Stores GP (the **“Administration Agreement”**). Liquor Stores GP also acts as the administrator of each of LSOT and LBOT pursuant to administration agreements, each dated September 1, 2008, with the corporate trustees of each of LSOT and LBOT, respectively (the **“Operating Trust Administration Agreements”**). The principal offices of the Fund, Liquor Stores GP, Liquor Stores LP, LSOT and LBOT are located at #300, 10508 – 82 Avenue, Edmonton, Alberta, T6E 2A4.

Pursuant to the Administration Agreement, the affairs of the Fund are supervised by the nine-member board of Directors (the **“Board of Directors”** or the **“Board”**) of Liquor Stores GP. Further, the Board supervises the business and affairs of Liquor Stores GP and Liquor Stores LP.

### **Governance Reorganization and Corporate Trustee Appointment**

Effective September 1, 2008, the Fund reorganized its governance structure to better align its corporate governance with the governance model that is provided in Canadian business corporation’s legislation and to make the Directors more directly accountable to Unitholders. Prior to the reorganization, the Fund had a board of “active” individual trustees that supervised the activities and managed the affairs of the Fund, and who had delegated certain of their powers to Liquor Stores GP through the Declaration of Trust and the Administration Agreement. The former trustees, who are also current Directors of Liquor Stores GP, are R. John Butler, Gary Collins, Jim Dinning and Glen H. Heximer, C.A. (collectively, the **“Former Trustees”**).

Under the Fund’s new simplified and streamlined governance structure, instead of four separate boards of trustees and directors with separate and overlapping mandates and responsibilities (and potentially differing liabilities), there is now a single Board elected at the direction of the Unitholders and responsible for directing the affairs of the Fund (along with the affairs of LSOT, LBOT, Liquor Stores GP, and Liquor Stores LP). The Declaration of Trust was amended to replace the requirement that there be a minimum of three (3) and maximum of nine (9) trustees (each of whom is an individual) with the requirement that there be one trustee, which must be a licensed trust company. Unitholders appoint the Trustee biannually and direct the Trustee as to the election of the Directors annually.

CIBC Mellon Trust Company was appointed as corporate trustee of the Fund on September 1, 2008 for an initial term of office which shall expire upon the conclusion of the annual meeting of Unitholders in 2010. Thereafter, Unitholders may appoint or reappoint a successor to the Trustee by a resolution passed by a majority of the Unitholders.

See also "Additional Information Respecting the Fund".

### **VOTING UNITS AND PRINCIPAL HOLDERS THEREOF**

There are 18,506,243 Units and 4,050,726 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, which are exchangeable into 3,205,317, Units and the Series 1 Exchangeable LP Units, which are exchangeable into 845,407 Units. The Special Voting Units are automatically cancelled when such Exchangeable LP Units and Series 1 Exchangeable 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 per Voting Unit. Only registered holders of Voting Units on the Record Date, or their duly-appointed proxies, are entitled to vote at the Meeting.

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

<b>Name</b>	<b>Class and Number of Securities</b>	<b>Percentage of Class</b>	<b>Percentage of Voting Units</b>
Kipnes Holdings Ltd. <sup>(1)</sup>	933,598 Special Voting Units	29.1%	4.1%
Liquor World <sup>(2)</sup>	981,398 Special Voting Units	30.6%	4.4%

Notes:

- (1) Mr. Kipnes, Executive Chairman of Liquor Stores GP, owns beneficially, or controls or directs, directly or indirectly, 100% of the outstanding shares of Kipnes Holdings Ltd.
- (2) Mr. Bereznicki, the Board Chairman & 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, or control or direct, directly or indirectly, approximately 40.39% and 10.07%, respectively, of the outstanding shares of Liquor World.

#### **MATTERS TO BE ACTED UPON AT THE MEETING**

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

#### **Election Of Directors of Liquor Stores GP**

The articles of incorporation (the "Articles") of Liquor Stores GP provide for a minimum of three (3) and a maximum of fifteen (15) Directors. There are currently nine (9) Directors and the Board has fixed the number of Directors to be elected at the Meeting at nine (9). Unitholders are entitled to direct that the Trustee elect all nine (9) of the members of the Board by a vote of Unitholders at a meeting of Unitholders held in accordance with Declaration of Trust. The term of office of each of the present Directors expires at the close of the Meeting. Each Director 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 and the Articles.

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

<b>Name and Municipality of Residence</b> <sup>(1)</sup>	<b>Period of Service as a Director</b>	<b>Principal Occupation and Other Public Directorships</b> <sup>(1)</sup>	<b>Number of Voting Units</b> <sup>(2)</sup>
Henry Bereznicki, P Eng, MBA Edmonton, Alberta, Canada	Since August 2004	Board Chairman & Director of Store Acquisitions and Development of Liquor Stores GP, and President, Western Region of North American Development Group (a private real estate developer) and Centrecorp (a private real estate services company).	<sup>(6)</sup>
R. John Butler, Q.C. <sup>(3)(4)(5)(11)</sup> Edmonton, Alberta, Canada	Since August 2004	Counsel, Bryan & Company (law firm).  Mr. Butler is also a director of TELUS Corporation, Trans Global Insurance Company, and Trans Global Life Insurance Company (Trans Global Insurance Company and Trans Global Life Insurance Company are subsidiaries of The Brick Group Income Fund)	20,000 Units <sup>(10)</sup>

Gary Collins <sup>(3)(4)(5)(11)</sup> Vancouver, British Columbia, Canada	Since September 2006	Mr. Collins is the Senior Vice President of Belkorp Industries Inc. (private investment management company).	2,300 Units <sup>(10)</sup>
		Mr. Collins serves as a director of Rogers Sugar and Lantic Sugar. Mr. Collins is also a member of the Board of Catalyst Paper Corporation, and Jazz Air Income Fund.	
Richard J. Crook Edmonton, Alberta, Canada	Since January 2008	President & Chief Executive Officer of Liquor Stores GP since January 1, 2009. During the past five (5) years, Mr. Crook has also held the following positions with Liquor Stores GP: January 2008 to December 2008 – President; January 2007 to December 2007 – President & Chief Operating Officer; and June 2004 to January 2007 – Executive Vice-President and Chief Operating Officer.	(12)
Jim Dinning <sup>(3)(4)(5)(11)</sup> Calgary, Alberta, Canada	Since August 2004	Chairman, Western Financial Group (financial services company).	6,000 Units <sup>(10)</sup>
		Mr. Dinning is also a director of Russel Metals Inc., Oncolytics Biotech Inc., Parkland Income Fund and Bronco Energy Ltd.	
Robert S. Green, LLB <sup>(3)(5)(7)</sup> Toronto, Ontario, Canada	Since August 2004	President of North American Development Group (a private real estate developer) and Centrecorp (a private real estate services company)	(7)
Glen H. Heximer, CA <sup>(3)(4)(5)(11)</sup> St. Albert, Alberta, Canada	Since August 2004	Retired Partner Ernst & Young LLP (chartered accountants).	2,500 Units <sup>(10)</sup>
Irving Kipnes, P. Eng. Edmonton, Alberta, Canada	Since August 2004	Executive Chairman of Liquor Stores GP and President and Managing Director of Delcon Development Group of Companies (real estate development).	(8)
David B. Margolus, Q.C. <sup>(3)(4)(9)</sup> Edmonton, Alberta, Canada	Since August 2004	Counsel, Witten LLP (law firm).	(9)
		Mr. Margolus is a trustee of XS Cargo Income Fund and a director of its administrator. Mr. Margolus is also a director of The Edmonton Airport Authority and a director of PowerComm Inc.	

## 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. The Fund has included information relative to Mr. Crook's principal occupations for the past five (5) years because Mr. Crook was not elected as a Director of Liquor Stores GP at the last meeting of Unitholders (he was appointed by the Board of Directors effective January 1, 2009).
- (2) The information as to the number of Voting Units beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Fund, has been based upon reports filed with the Alberta Securities Commission.
- (3) Member of the Compensation Committee of Liquor Stores GP.
- (4) Member of the Governance Committee of Liquor Stores GP.
- (5) Member of the Audit Committee of Liquor Stores GP.
- (6) Mr. Bereznicki, together with his associates and affiliates, owns beneficially, or exercises control or direction over, directly or indirectly, approximately 40.39% of the outstanding shares of Liquor World, which owns beneficially, or exercises control or direction over, directly or indirectly, 981,398 Special Voting Units. In addition, Mr. Bereznicki owns directly 209,145 Units.
- (7) Mr. Green, together with his associates and affiliates, owns beneficially, or exercises control or direction over, directly or indirectly, approximately 10.07% of the outstanding shares of Liquor World, which owns beneficially, or exercises control or direction, directly or indirectly, over 981,398 Special Voting Units. Mr. Green is a participant in the Deferred Unit Plan and holds 4,707 deferred units.
- (8) Mr. Kipnes owns beneficially, or exercises control or direction over, directly or indirectly, 100% of the outstanding shares of Kipnes Holdings Ltd., which owns beneficially, or exercises control or direction over, directly or indirectly, 933,598 Special Voting Units. In addition, Mr. Kipnes owns directly 369,245 Units.
- (9) Mr. Margolus, together with his associates and affiliates, owns beneficially, or exercises control or direction over, directly or indirectly, the outstanding shares of Marfam Enterprises Ltd. which owns beneficially, directly or indirectly, or exercises control or direction over 287,299 Special Voting Units and 65,000 Units. Mr. Margolus is a participant in the Deferred Unit Plan and holds 4,063 deferred units.

- (10) In addition to Units, Messrs. Butler, Collins, Dinning and Heximer participate in the Deferred Unit Plan and hold 3,657, 7,603, 3,657 and 6,834 deferred units, respectively. See "Compensation of Directors".
- (11) Until September 1, 2008, Messrs. Butler, Collins, Dinning and Heximer served as trustees as the Fund (concurrent with their period of service as Directors of Liquor Stores GP). On September 1, 2008, the Fund reorganized its governance structure and implemented a corporate trustee model of governance, replacing the Board of Trustees with a corporate trustee. For additional information respecting this restructuring, please see "Fund Structure – Governance Reorganization and Corporate Trustee Appointment" on page 3 of this Information Circular.
- (12) Mr. Crook, owns beneficially, or exercises control or direction over, directly or indirectly, the outstanding shares of Mikev Investments Ltd., which owns beneficially, or exercises control or direction over, directly or indirectly, 151,449 Special Voting Units. Mr. Crook owns directly 14,245 Units.

A "record of attendance by Directors" at meetings of the Directors and their committees for the year ended December 31, 2008, is set out in Schedule "B" hereto. Schedule "B" also contains a record of attendance by Former Trustees of the Fund and the committees of the Fund for the year ended December 31, 2008.

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

To the knowledge of the Directors, no proposed Director is, or within the ten years prior to the date hereof, has been, a director, or executive officer of any 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 Directors, no proposed Director 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 Director.

Furthermore, to the knowledge of the Directors, no proposed Director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed Director. Moreover, in the opinion of the Fund, no disclosure concerning a settlement agreement entered into by a Director before December 31, 2000, is likely to be considered important to a reasonable investor in deciding whether to vote for a proposed Director.

### **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 Directors. PricewaterhouseCoopers LLP has been the auditor of the Fund since the inception of the Fund on August 10, 2004.

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

The Directors 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 Directors.



The information required by Form 52-110F1 of the National 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, 2008, under the heading "Audit Committee".

### **Approval of Unit Option Plan**

At the Meeting Unitholders will also be asked to consider, and if deemed appropriate, to approve the following resolution approving the Fund's Unit Option Plan:

"BE IT RESOLVED THAT:

- (1) the Unit Option Plan in the form attached as Schedule D to this Information Circular is hereby approved; and
- (2) any one director or officer of Liquor Stores GP Inc. is hereby authorized and directed to take all necessary steps and proceedings, and to execute, deliver and file any and all documents and other instruments and to do all such other acts or things (whether under seal or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution."

### **The Unit Option Plan**

The Unit Option Plan is intended to aid in attracting, retaining and motivating directors, officers, employees and other eligible service providers of the Fund and its subsidiaries, and to provide such persons with an incentive to continue in the long term service of the Fund and its subsidiaries, and to create in such persons a direct interest in the future success of the operations of the Fund and its subsidiaries by tying incentive compensation to increases in the value of the Trust Units of the Fund.

Under the Unit Option Plan, the maximum number of the Trust Units issuable on exercise of outstanding options at any time is limited to 10% of the issued and outstanding Trust Units, less the number of Trust Units issuable pursuant to all other security based compensation arrangements of the Fund. Any increase in the issued and outstanding Trust Units will result in an increase in the number of the Trust Units that may be issued on exercise of options outstanding at any time and any exercise of options makes new grants available under the Unit Option Plan.

Options that are cancelled, terminated or expire prior to the exercise of all or a portion thereof shall result in the Trust Units that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the Unit Option Plan to the extent of any Trust Units issuable thereunder that are not issued under such cancelled, terminated or expired options.

Options granted pursuant to the Unit Option Plan will have a term not exceeding five years and vest in such manner as determined by the Board. Under the Unit Option Plan, the Board may at any time, at its sole discretion, accelerate or provide for the acceleration of vesting of options previously granted. Options granted under the Unit Option Plan are non-assignable. The exercise price of options granted will be determined by the Board at the time of grant, provided that in no event shall the exercise price be less than the last closing price of the Trust Units on the TSX preceding the time of grant.

Under the Unit Option Plan, the number of the Trust Units reserved for issuance to any one optionee may not exceed 5% of the issued and outstanding Trust Units. In addition, the number of the Trust Units under all security based compensation arrangements of the Fund: (i) issuable to insiders at any time shall not exceed 10% of the issued and outstanding Trust Units; and (ii) issued to insiders within any one year period shall not exceed 10% of the issued and outstanding Trust Units. Also, the maximum number of Trust Units issuable on exercise of options outstanding at any time held by directors of Liquor Stores GP Inc. who are not officers or employees of the Fund is limited to 1.0% of the issued and outstanding Trust Units.

In case of death of an optionee, options terminate on the date determined by the Board which may not be more than 12 months from the date of death. If the optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, the Fund or any of its subsidiaries (other than by reason of death or termination for cause), his or her options terminate on the expiry of a period not in excess of six months as determined by the Board at the time of grant. In the event an optionee is terminated for cause, his or her options shall terminate immediately. The number of Trust Units that an optionee (or his or her heirs or successors) is entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the Trust Units that may be acquired on exercise of the options held by such optionee (or his or her heirs or successors) whether or not previously vested and the vesting of all such options shall be accelerated on the date of death for such

purpose; and (ii) in any case other than death or termination for cause, shall be the number of Trust Units which the optionee was entitled to purchase on the date the optionee ceased to be a service provider.

Subject to the provisions of the Unit Option Plan, in the event of a "change of control" (as defined in the Unit Option Plan) all issued and outstanding options become exercisable (whether or not they are vested) immediately prior to the time such change of control takes place and terminate on the 90th day after the occurrence of the change of control or at such earlier time as may be established by the Board before the change of control takes place. A "change of control" includes, other than in connection with an internal reorganization: (i) a successful takeover bid pursuant to which the offeror would as a result of such takeover bid beneficially own, directly or indirectly, in excess of 50% of the outstanding Trust Units; (ii) an acquisition of ownership or control of more than 30% of the outstanding voting securities of the Fund together with a change in the majority of the Board, (iii) incumbent directors ceasing to constitute a majority of the Board, (iv) the winding-up of the Fund or the sale of all or substantially all of the assets of the Fund, and (v) any determination by a majority of the Board that a change of control has occurred or is about to occur.

In the event: (i) of any change in the Trust Units through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) that any rights are granted to Unitholders to purchase Trust Units at prices substantially below the then five-day weighted average trading price of the Trust Units on the TSX; or (iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Trust Units are converted into or exchangeable for any other securities, then the Board may make such adjustments to the Unit Option Plan and to any outstanding options as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to an optionee.

Except if not permitted by the TSX, if any options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by the Board). A "**Black-Out Period**" means the period of time when, pursuant to any policies of the Fund, any securities of the Fund may not be traded by certain persons as designated by the Fund, including any holder of an option.

An optionee may, under the terms of the Unit Option Plan, make an offer (the "**Surrender Offer**") to the Fund, at any time, for the disposition and surrender by the optionee to the Fund (and the termination thereof) of any options for an amount (not to exceed the weighted average trading price of the Trust Units on the TSX for the five consecutive trading days immediately preceding the date of such offer less the exercise price of the options) specified in the Surrender Offer and the Fund may, but is not obligated to, accept the Surrender Offer, subject to any required regulatory approval.

The Board may amend or discontinue the Unit Option Plan at any time without the consent of a holder of options, provided that such amendment shall not alter or impair any options previously granted under the Unit Option Plan (except as otherwise permitted under the Unit Option Plan). In addition, the Board may, by resolution, amend the Unit Option Plan and any options granted under it without Unitholder approval other than: (i) to increase the maximum number of Trust Units issuable pursuant to the Unit Option Plan; (ii) to reduce the exercise price of an option held by an insider; (iii) to extend the term of an option held by an insider; or (iv) in any other circumstances where TSX and Unitholder approval is required by the TSX.

### **Required Approvals**

In order for the Unit Option Plan to be adopted by the Fund, it must be approved by a majority of the votes cast in respect of the Option Plan Resolution by Unitholders present in person or by proxy at the Meeting. **The Board recommends that Unitholders vote in favour of the Option Plan Resolution. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote at the Meeting in favour of the ordinary resolution approving the Unit Option Plan.**

### **ADDITIONAL INFORMATION RESPECTING THE FUND**

Under applicable securities legislation, the Fund is required to provide certain information with respect to the Fund, and its corporate trustee and its officers. The Fund, however, does not directly carry on business, does not have officers and is dependent for its results on the performance of Liquor Stores LP. Liquor Stores GP not only serves as general partner of Liquor Stores LP, but is also responsible for administering the Fund and its business in accordance with the Administration Agreement. Consequently, in addition to the information relating to the Fund, 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 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; and (h) provide general accounting, bookkeeping and administrative services to the Fund.

Although the Administration Agreement provides for an initial term of ten (10) years (commencing September 1, 2008), 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.

Under the Operating Trust Administration Agreements, Liquor Stores GP has agreed to provide or arrange for the provision of certain services required in the administration of each of LSOT and LBOT, respectively, including administrative services in connection with the note indentures under which Notes of LSOT and LBOT are issued to the Fund.

## **COMPENSATION DISCUSSION AND ANALYSIS**

For the purposes of this Information Circular, “**Named Executive Officers**” or “**NEOs**” refers to the President & Chief Executive Officer and Vice-President, Finance & Chief Financial Officer of Liquor Stores GP, and each of the three most highly compensated executive officers of Liquor Stores GP, other than the President & Chief Executive Officer and Vice-President, Finance & Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation was, individually, greater than \$150,000.

### **Compensation Committee**

On January 1, 2008 the Compensation and Governance Committee of Liquor Stores GP was divided into separate Compensation and Governance Committees. The Compensation Committee has the responsibility to develop and recommend to the Board of Directors policies regarding the remuneration of the executive officers of Liquor Stores GP and the development and training of their successors, as well as supervise the implementation of these policies. Annually, the Committee reviews the Fund's compensation philosophy and guidelines and in doing so it assesses the linkage of executive compensation philosophy and executive incentive plans to the Fund's financial and non-financial performance, support of the Fund's business strategy, and alignment with the Fund's general employee compensation philosophy. The Compensation Committee is comprised of six members: Gary Collins (Chair), R. John Butler, Jim Dinning, Glen H. Heximer, Robert Green and David Margolus. Mr. Green and Mr. Margolus were appointed as members of the Compensation Committee on May 8, 2008. No member of the Compensation Committee is an officer, employee or former officer or employee of the Fund or any of its subsidiaries.

### **Independent Executive Compensation Consultant**

Upon recommendation of the Compensation Committee, in 2008 the Board of Directors engaged the services of Towers Perrin as executive compensation consultants to provide independent advice to the Board on certain matters relating to executive compensation and the structure of compensation for executives of Liquor Stores GP. Working independently, Towers Perrin assessed the market competitiveness of compensation arrangements for the executive management of Liquor Stores GP and provided the Compensation Committee with data respecting the annual and long-term incentive pay practices of comparable public issuers and retail peers. Total fees and expenses paid to Towers Perrin in fiscal 2008 for its advice and written report were approximately \$50,377. Towers Perrin does not provide consulting services for Liquor Stores GP or the Fund other than with respect to executive compensation.

## Executive Compensation Philosophy

The Compensation Committee's executive compensation philosophy, and that of its predecessor, the Compensation and Governance Committee, is guided by its overall objective to obtain and retain executives critical to the success of the Fund. Specifically, Liquor Stores GP's compensation philosophy is based upon the following three (3) fundamental principles:

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

The key objectives of the compensation program in relation to compensation for all executive officers were developed based on the above-mentioned compensation philosophy and are as follows:

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

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

## Executive Compensation Components

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

**Base Salary** – Base salaries are compensation for discharging position responsibilities and generally reflect the level of skills, expertise, and capabilities the executive demonstrates in executing his duties. The Compensation Committee and the Board of Directors review and approve the salaries of the Named Executive Officers on an annual basis. The base salary review (and any salary adjustments arising therefrom) for each NEO is based on numerous factors, including current market competitive conditions, compensation levels of comparative corporate peers, individual effectiveness, and anticipated performance of the NEO. Comparative data from the Fund's peer group is also compiled and analyzed. As noted above, one of the key objectives of the Fund's compensation program is that the base salary for NEO's be in the 50<sup>th</sup> percentile of comparative public companies. In determining the base salaries for each of the Vice-President, Finance & Chief Financial Officer and Chief Operating Officer, the Compensation Committee considers recommendations presented by the President & Chief Executive Officer, and in determining the base salary for the President & Chief Executive Officer, the Compensation Committee considers recommendations presented by the Executive Chairman. Prior to January 1, 2009, the Fund did not have an Executive Chairman and the roles of President

and Chief Executive Officer were held by different individuals, and at that time the recommendations relative to the President's base salary were presented to the Compensation Committee by the Chief Executive Officer and the Chief Executive Officer's base salary was determined solely by the Board. In addition, the agreements with Mr. Bereznicki (Board Chairman and Director of Store Acquisitions and Development of Liquor Stores GP) and Mr. Kipnes (Executive Chairman of Liquor Stores GP) provide that they are to receive identical remuneration for so long as they continue to be employees of Liquor Stores GP or its affiliates, with Messrs. Bereznicki and Kipnes to make joint recommendations to the Compensation Committee and the Board of Directors of Liquor Stores GP with respect to such remuneration.

**Annual Discretionary Bonus (Cash)** – To motivate executives to achieve short-term corporate goals, each executive employment agreement contains provisions for an annual discretionary cash bonus. According to the executive employment agreements, these bonuses range from a maximum of 50% of base salary for the position of President & Chief Executive Officer, to 30% for the position of Vice-President, Finance & Chief Financial Officer, 50% for the position of Chief Operating Officer, and an entirely discretionary amount with respect to each of the Executive Chairman and Board Chairman. Bonus awards are based upon a combination of pre-determined business objectives (representing approximately 75% to 85% of the bonus) and discretion of the Board of Directors and Compensation Committee (representing approximately 15% to 25% of the bonus). The Board of Directors, in consultation with the Compensation Committee and the President & Chief Executive Officer, set certain individual and corporate performance objectives during the year. In 2008, these principal objectives included:

- Achievement of specific financial results;
- Achievement of certain growth targets; and
- Completion of certain internal corporate projects relative to individual NEO job responsibilities.

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

For 2008, each of Mr. Crook, Mr. McCaffery, and Mr. de Grace were eligible for annual bonuses of \$175,000, \$90,000, and \$78,750 respectively. The Compensation Committee and the Board of Directors considered the bonus criteria in light of individual job performance and ultimately determined that each individual had met (or exceeded) their performance objectives for 2008 and awarded the bonuses in full. Pursuant to their employment agreements, each of Mr. Kipnes and Mr. Bereznicki were entitled to bonuses, however, the Board of Directors (in consultation with Mr. Kipnes and Mr. Bereznicki) opted not to award bonuses. In finalizing these amounts, the Board of Directors noted that for 2008, NEO base salaries were below the 50<sup>th</sup> percentile of comparative income trusts and other public issuers and total 2008 compensation for NEO's was also below the 75<sup>th</sup> percentile, and consequently one of the key objectives of the Fund's compensation program has not been met.

**Annual Unit-Based Incentives** – In addition to base-salary and an annual discretionary bonus, Liquor Stores GP has the further flexibility to add to overall total compensation of its executive officers (and other employees) through the use of annual unit-based incentives. Liquor Stores GP currently has in place the Long Term Incentive Plan (“LTIP”), the Unit Award Incentive Plan (“UAIP”), the 2007 Incentive Plan and, pending approval by the Unitholders on June 16, 2009, the Unit Option Plan. All unit-based plans are designed to permit the Board of Directors to award equity-based incentives to executive officers in conjunction with (or in addition to) their annual discretionary bonus. To date, although no formal separate criteria have been developed relative to the awarding unit-based incentives outside of the restrictions contained within the incentive plans themselves, the Board of Directors assesses current industry trends and other macro-economic factors in determining whether unit-based incentives should or should not be awarded.

For 2008, in light of the uncertainty of the economy and capital markets, the Board of Directors determined not to award any annual unit-based incentives to NEO's or to any other executive or non-executive employees of Liquor Stores GP.

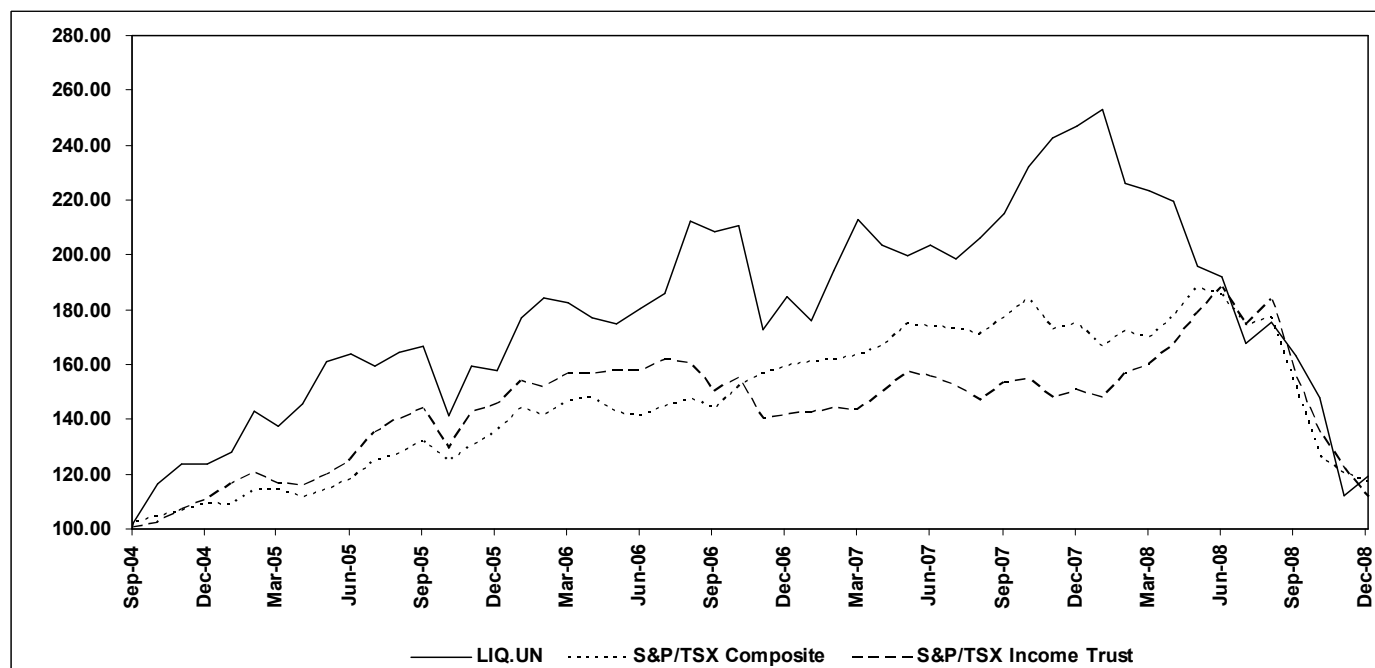
Please see "Incentive Plan Awards" for a detailed description of each of the LTIP, the UAIP and the 2007 Incentive Plan, and see "Items to Be Acted Upon at the Meeting – Approval of Unit Option Plan" for a detailed description of the UOP.

### **2009 Executive Compensation**

The Board of Directors (in consultation with the Compensation Committee, and based upon recommendations from the President & Chief Executive Officer and the Executive Chairman) has determined that taking into account the current uncertain economic climate, it would be prudent to maintain current NEO base salaries for fiscal 2009, and as such the salaries for Messrs. Crook, de Grace and McCaffery will remain at 2008 levels. With respect to Mr. Kipnes and Mr. Bereznicki, although the Board of Directors had fixed the fiscal 2009 base salary for each individual at \$200,000 per annum, at the request of Mr. Kipnes and Mr. Bereznicki the Board reduced the base salaries for each individual to \$180,000 per annum. In finalizing these amounts, the Board of Directors noted that similar to fiscal 2008, fiscal 2009 base salaries for NEO's would likely be below the 50<sup>th</sup> percentile of comparative income trusts and other public issuers and total compensation for NEO's would also likely be below the 75<sup>th</sup> percentile. The Board of Directors anticipates re-examining this key objective in the future in the context of determining 2010 executive compensation.

## 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 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	December 31, 2006	December 31, 2007	December 31, 2008
Liquor Stores Income Fund (Total Return)	\$100	\$123.78	\$158.19	\$185.35	\$247.93	\$119.55
S&P/TSX Canadian Income Trust Index (Total Return)	\$100	\$111.24	\$145.70	\$141.56	\$150.92	\$111.55
S&P/TSX Composite Index	\$100	\$109.37	\$135.75	\$159.19	\$174.84	\$117.14

Actual Values	September 28, 2004	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008
Liquor Stores Income Fund (Total Return)	\$11.96	\$14.80	\$18.89	\$22.12	\$29.55	\$14.30
S&P/TSX Canadian Income Trust Index (Total Return)	158.06	175.83	230.30	223.75	238.54	176.32
S&P/TSX Composite Index	19,607.99	21,144.89	26,618.80	31,213.49	34,282.35	22,967.98

The Fund is of the view that as an income trust, the market price of the Fund's Units during the period illustrated above has been predominately affected by extraneous factors and as such does not appropriately reflect the performance of the Fund or its management team. Further, the Fund had never utilized the market price of Units as a benchmark for executive compensation. That said, although there is no direct correlation between the Fund's compensation to executive officers and the market price of Units over the same period, in each of 2006 and 2007, Unit-based awards were made to Liquor Stores GP's executive officers under the Fund's long-term incentive plans, and the value of the un-vested Units awarded to executive officers during this period

fluctuates along with the market price of Units and consequently, there is some correlation between overall total compensation paid to executive officers and Unit price during this period.

## SUMMARY COMPENSATION TABLE

The following table sets forth for the year-ended December 31, 2008 information concerning the compensation paid to the Named Executive Officers:

Name and Principal Position	Year	Salary	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation <sup>(5)</sup>	Total Compensation
					Annual Incentive Plans <sup>(4)</sup>	Long-Term Incentive Plans			
Richard J. Crook <sup>(1)</sup> President & Chief Executive Officer	2008	350,000	-	-	175,000	-	-	-	525,000
Patrick J. de Grace Vice President Finance & Chief Financial Officer	2008	225,000	-	-	78,750	-	-	-	303,500
Irving Kipnes <sup>(2)</sup> Executive Chairman	2008	300,000	-	-	-	-	-	-	300,000
Henry Bereznicki Board Chairman and Director of Store Acquisitions & Development	2008	300,000	-	-	-	-	-	-	300,000
Simon McCaffery <sup>(3)</sup> Chief Operating Officer	2008	152,308	-	-	90,000	-	-	40,000	282,308

### Notes:

- (1) Mr. Crook assumed the role of Chief Executive Officer on January 1, 2009. Mr. Crook served as the President of Liquor Stores GP in 2008. Mr. Crook was appointed to the Board of Directors of Liquor Stores GP on January 1, 2009 and receives no additional compensation for such directorship.
- (2) Mr. Kipnes served as Chief Executive Officer of Liquor Stores GP in 2008, and was succeeded by Richard J. Crook effective January 1, 2009. Upon stepping down as Chief Executive Officer, Mr. Kipnes assumed the role of Executive Chairman.
- (3) Mr. McCaffery commenced employment with Liquor Stores GP on February 18, 2008. His annual salary is \$180,000. Mr. McCaffery received a one-time signing bonus of \$40,000 upon commencing his employment with Liquor Stores GP. Such bonus was paid to Mr. McCaffery primarily to replicate the bonus Mr. McCaffery was due to receive from his previous employer.
- (4) Annual discretionary cash bonuses. See “Compensation Discussion & Analysis – Annual Discretionary Bonus (Cash)”.
- (5) Notwithstanding the additional compensation paid to Mr. McCaffery (as per Note: 3 above), the value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year.

## INCENTIVE PLAN AWARDS

### Long-Term Incentive Plan

Following approval of the Unitholders on May 8, 2008, the Fund adopted a new Unit Award Incentive Plan (the “UAIP”) and subsequently the Board ceased to make new awards under Liquor Stores LP’s previously-established long-term incentive plan (“LTIP”). Although no new LTIP awards will be granted, the Fund deems it prudent to disclose the particulars of the LTIP as the LTIP will remain in existence as awards issued pursuant to the LTIP will continue to vest in the future in accordance with the plan vesting schedule.



The purpose of the LTIP was to provide key senior management of Liquor Stores GP, Liquor Stores LP and the directors, officers, and management of their affiliates with compensation opportunities that would 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 set aside a pool of funds based upon the amount by which the Fund's per Unit distributions exceeded certain per Unit distributable cash threshold amounts. Such Units were then purchased in the market or from treasury with such pool of funds and are held until such time as ownership vests to each participant. Although the Board of Directors has determined that no new awards will be granted pursuant to the LTIP, the Compensation Committee of Liquor Stores GP currently administers the LTIP. Certain features of the treasury portion of the LTIP are summarized below:

- directors, officers and other senior management employees (as determined by the Compensation Committee) of Liquor Stores GP or one of its affiliates (including Liquor Stores LP) were eligible to participate in the LTIP;
- as at the date hereof, 51,635 Units have been issued from the Fund's treasury under the LTIP (of the 400,000 Units originally reserved for issue);
- the LTIP provided 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), could not exceed 10% of the aggregate of (iii) the Fund's issued and outstanding Units from time to time, and (iv) any issued and outstanding securities of the Fund's affiliates that are exchangeable, directly or indirectly, for Units (including the Exchangeable LP Units);
- other than as described above, the LTIP did 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 were 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 Committee at the time of the grant of a right to a participant in the LTIP, one-third of the Units that were the subject of a right shall vest in the participant on the date of grant and on each of the second and third anniversary of the date of grant;
- if an LTIP participant resigns or is terminated with cause, then all outstanding rights held by such participant, and all right and interest in any unvested 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. Further, on February 28, 2008, the Compensation Committee amended the vesting provisions of the LTIP units granted to each of Mr. Bereznicki, Mr. Kipnes and Mr. Crook such that any LTIP awards held by these individuals shall immediately vest upon cessation of employment with Liquor Stores GP (including termination for cause, termination without cause, resignation, or retirement). This amendment was not approved by Unitholders (as the Compensation Committee is permitted to amend certain aspects of the Plan without the approval of Unitholders);
- 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 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;

- 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 may be made by the Compensation 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 Committee in its sole discretion, subject to acceptance by the TSX, if applicable.

The LTIP provided for awards that could be earned based on the amount by which distributable cash, as defined in the Declaration of Trust, exceeded a base distribution threshold of \$1.00 per Unit per annum. The base distribution threshold was subject to adjustment by the Compensation Committee from time to time.

The percentage amount of that excess which formed the LTIP incentive pool was determined in accordance with the table below:

<b>Percentage by which Distributable Cash per Unit Exceeds Base Distribution Threshold</b>	<b>Proportion of Excess Distributable Cash Available for LTIP Payments <sup>(1)</sup></b>
5% or less.....	nil
Greater than 5% and up to 10% .....	10% of any excess over 5%
Greater than 10% and up to 20%.....	10% of any excess of 5% plus 20% of any excess over 10%
Greater than 20% .....	10% of any excess over 5%, plus 20% of any excess over 10% to 20%, plus 16.27% of any excess over 20%

Note:

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

The maximum number of Units issuable from the Fund's treasury under the LTIP is 400,000 Units, which represents 2.2% of total outstanding Voting Units outstanding. Of the Units issuable from treasury, 51,635 or 12.9% have been issued. The aggregate number of Units issued to insiders of the Fund from treasury within any one (1) year period and issuable to the insiders of the Fund at any time under the LTIP and all other security-based compensation arrangements cannot exceed 10% of the Fund's outstanding Units. At December 31, 2008 there were 50,109 unvested Units in the LTIP, representing 0.3% of total Voting Units outstanding.

### **Unit Awards Incentive Plan**

On May 8, 2008, the Unitholders approved the adoption by the Fund of the Unit Award Incentive Plan (the "UAIP") which authorized the Board of Directors to grant awards ("Unit Awards") of restricted Units ("Restricted Awards") and performance Units ("Performance Awards") to persons, firms or corporations who are employees, officers, trustees or directors of the Fund, Liquor Stores GP, Liquor Stores LP, or any other Fund Affiliates (as defined in the UAIP) or who are consultants or other service providers to the Fund, Liquor Stores GP, Liquor Stores LP or any other Fund Affiliates ("Service Providers"). A copy of the UAIP will be made available upon request by contacting the Vice-President, Finance & Chief Financial Officer of Liquor Stores GP. Upon approval and adoption of the UAIP, the Board ceased making awards pursuant to the LTIP.

The principal purposes of the UAIP are to retain and attract qualified Service Providers; to promote a proprietary interest in the Fund by such persons and to encourage such persons to remain in the employ or service of the Fund and put forth maximum efforts for the success of the business of the Fund; and to focus management of the Fund on operating and financial performance and long-term Unitholder return. Certain features of the UAIP are as follows:

- Under the terms of the UAIP, any Service Provider may be granted Restricted Awards or Performance Awards at the discretion of the Board of Directors;
- Each Restricted Award will entitle the holder to be issued the number of Units designated in the Restricted Award and such Units will vest and be issued as to one-third on each of the first, second and third anniversary dates of the date of grant or such earlier or later dates as may be determined by the Board of Directors;
- Each Performance Award will entitle the holder to be issued on the third anniversary of the date of grant or such earlier or later dates as may be determined by the Board of Directors, the number of Units designated in the Performance Award multiplied by a Payout Multiplier (as defined in the UAIP) which may range from a minimum of zero to a maximum of two depending on the achievement of such performance criteria as may be determined by the Board of Directors from time to time;
- A holder of a Unit Award may elect, subject to the consent of the Fund, to receive an amount in cash equal to the aggregate fair market value (as defined in the UAIP) of the Units to which the holder is entitled under his or her Unit Award in lieu of the issue of Units under such Unit Award;
- The UAIP provides for cumulative adjustments to the number of Units to be issued pursuant to Unit Awards on each date that distributions are paid on the Units by an amount equal to a fraction having as its numerator the amount of the distribution per Unit and having as its denominator the fair market value of the Units on the trading day immediately preceding the distribution payment date. Fair market value is the weighted average trading price of the Units on the TSX for the five trading days on which the Units traded immediately preceding such date;
- In the event of a change in control of the Fund, as defined in the UAIP, the vesting provisions attaching to the Unit Awards are accelerated and all unexercised Unit Awards will be issued immediately before the date upon which the change of control is completed;
- Unless otherwise determined by the Board of Directors or unless otherwise provided in a unit award agreement pertaining to a particular grant or any written employment or consulting agreement governing a grantee's role as a Service Provider, if a grantee of a unit award (a "**Grantee**") ceases to be a Service Provider as a result of termination for cause, effective as of the Cessation Date (as defined in the UAIP) all outstanding unit award agreements under which Unit Awards have been made to such Grantee, whether Performance Awards or Restricted Awards, shall be immediately terminated and all rights to receive Units thereunder shall be forfeited by the Grantee;
- If a Grantee ceases to be a Service Provider as a result of being terminated other than a termination for cause, effective as of the date that is 60 days after the Cessation Date, and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding unit award agreements under which Unit Awards have been made to such Grantee, whether Performance Awards or Restricted Awards, shall be terminated and all rights to receive Units thereunder shall be forfeited;
- If a Grantee voluntarily ceases to be a Service Provider as a result of the Grantee's voluntary resignation (excluding retirement) effective as of the day that is two weeks after the Cessation Date, all outstanding unit award agreements under which Unit Awards have been made to such Grantee shall be terminated, whether Performance Awards or Restricted Awards, and all rights to receive Units thereunder shall be forfeited;
- If a Grantee ceases to be a Service Provider as a result of such Grantee's retirement or death, all Units awarded to such Grantee under any outstanding Unit Award Agreements shall be issued as of the Cessation Date;

- Except in the case of death, the right to receive Units pursuant to a Unit Award granted to a Service Provider may only be exercised by such Service Provider personally. In the case of death, the right to receive Units may be exercised by the Service Provider's estate;
- Except for limited circumstances provided in the UAIP, no assignment, sale, transfer, pledge or charge of a Unit Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Unit Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Unit Award shall terminate and be of no further force or effect;
- The UAIP provides that the maximum number of Units reserved for issuance from time to time pursuant to Unit Awards and under any other security based compensation arrangements established by the Fund at any time shall not exceed in the aggregate a number of Units equal to 3% of the aggregate of: (i) the number of issued and outstanding Units; plus (ii) the number of Units issuable upon exchange of outstanding exchangeable securities of the Fund, if any. Currently this maximum would be 676,709 units;
- The aggregate number of Unit Awards granted to any single Service Provider may not exceed 5% of the issued and outstanding Units, calculated on an undiluted basis. In addition: (i) the number of Units issuable to insiders at any time, under all security based compensation arrangements of the Fund, may not exceed 10% of the issued and outstanding Units on an undiluted basis; and (ii) the number of Units issued to insiders, within any one year period, under all security based compensation arrangements of the Fund, may not exceed 10% of the issued and outstanding Units on an undiluted basis. The number of Units issuable pursuant to the UAIP to non-management directors and trustees is limited to a maximum of 0.5% of the issued and outstanding Units and exchangeable securities;
- The Fund has the right to amend from time to time or to terminate the terms and conditions of the UAIP by resolution of the Board of Directors without notice or approval from Unitholders other than for certain amendments specified in the UAIP;
- Under the amended UAIP, the following amendments require Unitholder approval: (i) increase the maximum percentage limit on the number of Units that may be reserved for issuance from time to time under the UAIP, (ii) increase the permitted level of insider or non-employee director or trustee participation under the UAIP, (iii) increase the Payout Multiplier under the UAIP to greater than two, (iv) extend the term of any Unit Award under the UAIP held by an insider, and (v) amend the amendment provisions. All other amendments to the UAIP could be made at the discretion of the Board. Any amendments are subject to the prior consent of any applicable regulatory bodies, including the TSX. Any amendment to UAIP will take effect only with respect to Unit Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Unit Awards with the mutual consent of the Fund and the Service Providers to whom such Unit Awards have been made; and
- Under the UAIP, unvested awards are forfeited in the following circumstances: termination for cause, termination not for cause, and voluntary resignation. Awards vest immediately upon retirement or death of a Service Provider. In the event of a Change of Control, the Fund and the acquirer will execute such instruments and do such things as may be necessary to establish that upon the consummation of such transaction, the acquirer will assume the covenants and obligations of the Fund.

As of the date of this Information Circular, the Board of Directors have not awarded any Units under the UAIP.

### **2007 Incentive Plan**

In 2007, Liquor Stores LP established a long-term incentive plan (“**2007 Incentive Plan**”) to reward key senior management (“**2007 Incentive Plan Participants**”) of Liquor Stores GP in respect of their 2006 performance with a special one-time discretionary bonus, to encourage ownership of Units, and to retain and motivate key personnel. On March 7, 2007 a one time deferred bonus was approved under the 2007 Incentive Plan of \$950,000 to be paid out in Units and vest as to one-third on each of January 7, 2008, January 7, 2009 and January 7, 2010. Named Executive Officers received 33,234 out of 43,851 Units granted under the award to 2007 Incentive Plan Participants. On January 7, 2008, 11,077 Units vested and on January 7, 2009, 11,077 Units vested. The remaining 11,080 Units awarded to Named Executive Officers representing \$239,328 will vest on January 7, 2010. Certain features of the 2007 Incentive Plan are as follows:

- Liquor Stores GP acts as trustee of the 2007 Incentive Plan (“**Plan Trustee**”) and the Compensation Committee administers the Plan.
- In the event the Fund merges into any other entity or if the Fund shall sell 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, all unvested Units granted pursuant to the 2007 Incentive Plan shall vest immediately prior to the effective date of such merger, business combination, or sale.
- If a take-over bid (as defined in the *Securities Act* (Alberta)) that is not exempt from the take-over bid requirements of the *Securities Act* (Alberta) is made for the units of the Fund, all unvested units granted pursuant to the 2007 Incentive Plan shall vest immediately. If for any reason the units granted under the 2007 Incentive Plan are not tendered in relation to the take-over bid, or, if tendered but not taken up and paid for by the offeror pursuant to the take-over bid, such Units shall be and shall be deemed to be unvested and will be returned to the Plan Trustee. The Plan Trustee has the ability to make appropriate adjustment to the number of Units granted under the Plan to give effect to adjustments in the number of Units resulting from subdivisions, consolidations, or reclassification of the Fund’s units (or other relevant changes in the Fund).
- In the event a 2007 Plan Participant ceases employment with Liquor Stores GP (whether by resignation or termination with cause) then all right and interest of such participant in any unvested Units granted pursuant to the 2007 Incentive Plan (or any distributions arising therefrom) shall immediately expire and the Plan Trustee shall sell such units in the market and pay any proceeds to Liquor Stores GP.
- If a 2007 Plan Participant dies, becomes disabled, retires at normal retirement age, or is terminated without cause, then all g unvested Units held by such participant shall immediately vest and the Plan Trustee shall deliver such units to the 2007 Plan Participant.
- The interests of any 2007 Plan Participant under the 2007 Incentive Plan are not transferable nor capable of pledge or assignment, and after his or her lifetime shall enure to the benefit of and be binding upon the 2007 Plan Participant’s designated beneficiary or estate.
- The 2007 Incentive Plan may be amended, suspended or discontinued at any time, by the Compensation Committee (subject to the receipt of any required regulatory approvals), without notice or approval of the Unitholders. No amendment, suspension, or discontinuance of the Plan may contravene the requirements of the Toronto Stock Exchange, any rules of the Toronto Stock Exchange and any applicable laws.

The Fund made a one-time contribution to the 2007 Incentive Plan in March 2007 of \$950,000 to purchase 43,851 Units, representing 0.2% of total Units outstanding. No further grants of rights are allowable under the 2007 Incentive Plan agreement. At December 31, 2008 there were 28,541 unvested Units in the 2007 Incentive Plan, representing 0.15% of total Units outstanding. There are no further Units issuable with respect to the 2007 Incentive Plan.

At December 31, 2008, unvested Units under both the LTIP and 2007 Incentive Plan represented 0.4% of total outstanding Units. NEO’s have rights to 70.6% of these unvested Units.

### **Unit Option Plan**

The Fund will also have a Unit Option Plan, contingent upon the Unitholders approving and confirming the Unit Option Plan.

Please see “Matters to be Acted Upon at the Meeting – Approval of Unit Option Plan” for additional information respecting the Unit Option Plan.

### ***Outstanding Unit-Based Awards***

The following table sets forth for each Named Executive Officer all unit-based awards outstanding at the year ended December 31, 2008.

Name	Unit-based Awards	
	Number of units that have not vested <sup>(1)</sup> (#)	Market or payout value of unit-based awards that have not vested <sup>(2)</sup> (\$)
Richard J. Crook	15,427	161,212
Patrick J. de Grace	9,256	96,725
Irving Kipnes	15,427	161,212
Henry Bereznicki	15,427	161,212
Simon McCaffery	-	-

Notes:

- (1) For each of Messrs. Crook, Kipnes and Bereznicki, unvested Units consist of 9,272 Units under the LTIP and 6,155 Units under the 2007 Incentive Plan. For Mr. de Grace, unvested Units consist of 5,564 Units under the LTIP and 3,692 Units under the 2007 Incentive Plan.
- (2) The grant date fair value was based on the market price of the Fund's units at the grant date. The market value at December 31, 2008 is calculated based on the year-end closing trading price of the Units of \$10.45. The award provides for payouts with respect to time only and is payable at vesting dates based on the market price of the Units at the date of vesting.

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

The following table sets forth for each Named Executive Officer, the value of unit-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Unit-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Richard J. Crook	72,771	175,000
Patrick J. de Grace	43,843	78,750
Irving Kipnes	72,771	-
Henry Bereznicki	72,771	-
Simon McCaffery	-	90,000

Notes:

- (1) Calculated by multiplying the number of vested Units by the market price of the Units on the date of transfer to the Named Executive Officer.
- (2) Non-equity incentive plan compensation consists of cash performance bonuses paid to Named Executive Officers.

### **EMPLOYMENT AGREEMENTS**

Each of Richard J. Crook, Patrick de Grace, Irving Kipnes, Henry Bereznicki and Simon McCaffery have entered into employment agreements with Liquor Stores GP (collectively, the “**Employment Agreements**”). The Employment Agreements prescribe the terms of the respective employment for each of Messrs. Crook, de Grace, Kipnes, Bereznicki and McCaffery, and set out their base salary and eligibility for incentive-based awards (annual discretionary bonus and annual discretionary equity-based incentives). The annual salary of each Named Executive Officer is reviewed annually in the manner described in the Compensation Discussion and Analysis, however the agreements with Messrs. Bereznicki and Kipnes provide that they are to

receive identical remuneration for so long as they continue to be employees of Liquor Stores GP or its affiliates, with Messrs. Bereznicki and Kipnes to make joint recommendations to the Board of Directors of Liquor Stores GP with respect to such remuneration. The payment of annual discretionary bonus' and annual equity-based incentives is at the discretion of the Board of Directors of Liquor Stores GP, but is determined in accordance with the methodology described in the Compensation Discussion and Analysis.

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

For the purposes of this section, a "Change of Control" means that some person or group of persons (other than those individuals constituting the initial vendor group of Liquor Stores LP), acting in concert, acquire fifty (50%) percent of more of the voting Units of the Fund, additionally a receivership or bankruptcy shall be deemed to be a "Change of Control."

**Mr. Bereznicki and Mr. Kipnes' Employment Agreements** - The employment agreements with Messrs. Bereznicki and Kipnes continue until December 31, 2009 and contain certain termination provisions, none of which trigger the payment of compensation or benefits to either of Mr. Bereznicki or Mr. Kipnes. These employment agreements do not contain Change of Control provisions.

**Mr. Crook's Employment Agreement** - The employment agreement with Mr. Crook is for an indefinite term and contains the following termination provisions:

- Liquor Stores GP may terminate the agreement by notice in writing for just cause and without any additional payments;
- Mr. Crook may terminate his agreement at any time and for any reason on not less than thirty (30) days written notice without any additional payments by Liquor Stores GP; and
- Liquor Stores GP may terminate the agreement without cause on payment of an amount equal to two (2x) times Mr. Crook's average annual remuneration (including salary, bonus, value of long term equity-based incentive plan awards and benefits) over the preceding three (3) years. The estimated value of Mr. Crook's payment in this termination scenario is set forth below under "Termination and Change of Control Benefits - Value of Termination & Change of Control Payments".

In addition to the foregoing, in the event that as a result of a Change of Control and within one (1) year of the date of such Change of Control, the Agreement is terminated by either Liquor Stores GP or Mr. Crook, then in either event Mr. Crook is entitled to a payment of an amount identical to the amount payable by Liquor Stores GP upon Mr. Crook's termination without cause.

**Mr. de Grace's Employment Agreement** - The employment agreement with Mr. de Grace is for an indefinite term and contains the following termination provisions:

- Liquor Stores GP may terminate the agreement by notice in writing for just cause and without any additional payments;
- Mr. de Grace may terminate his agreement at any time and for any reason on not less than ninety (90) days written notice without any additional payments by Liquor Stores GP; and
- Liquor Stores GP may terminate the agreement without cause on payment of an amount equal to one and one-half (1.5x) times Mr. de Grace's average annual remuneration (including salary, bonus, value of long term equity-based incentive plan and benefits) over the preceding three (3) years. The estimated value of Mr. de Grace's payment in this termination scenario is set forth below under "Termination and Change of Control Benefits - Value of Termination & Change of Control Payments".

In addition to the foregoing (and similar to the arrangement with Mr. Crook), in the event that as a result of a Change of Control and within one (1) year of the date of such Change of Control the Agreement is terminated by either Liquor Stores GP or Mr. de Grace, then in either event Mr. de Grace is entitled to a payment of an amount identical to the amount payable by Liquor Stores GP upon Mr. de Grace's termination without cause.

**Mr. McCaffery's Employment Agreement** - The employment agreement for Mr. McCaffery is for an indefinite term and contains the following termination provisions:

- Liquor Stores GP may terminate the agreement by notice in writing for just cause and without any additional payments;
- Mr. McCaffery may terminate his agreement at any time and for any reason on not less than ninety (90) days written notice without any additional payments by Liquor Stores GP; and
- Liquor Stores GP may terminate the agreement without cause on payment of an amount equal to one (1x) times Mr. McCaffery's average annual remuneration (including salary, bonus, value of long term equity-based incentive plan and benefits) over the preceding year. The estimated value of Mr. McCaffery's payment in this termination scenario is as set forth below under "Termination and Change of Control Benefits - Value of Termination & Change of Control Payments".

Mr. McCaffery's employment agreement does not contain Change of Control provisions.

### Value of Payments

The approximate value of the payments triggered upon certain termination scenarios (as outlined above) respecting each of Messrs. Crook, de Grace and McCaffery (and upon the happening of a Change of Control for Messrs. Crook and de Grace) are as follows:

Name	Total Remuneration				Multiplier	Termination and/or Change of Control
	2008	2007	2006	Average		Payment
	(\$)	(\$)	(\$)	(\$)		(\$)
Richard J. Crook <sup>(1)</sup>	547,488	707,096	560,000	604,861	2	1,209,723
Patrick J. de Grace <sup>(1)</sup>	317,242	424,257	354,000	365,166	1.5	547,749
Simon McCaffery <sup>(2)</sup>	270,000	-	-	270,000	1	270,000

Notes:

- (1) Total remuneration includes all amounts paid and payable to individuals in respect of salary, cash-based bonuses and employee benefits. Also included are long term equity-based incentive plan awards granted in respect of the year indicated plus all cash distributions earned on vested and unvested Units during the year.
- (2) Mr. McCaffery commenced employment with Liquor Stores GP Inc. on February 18, 2008. In the event of termination, Mr. McCaffery is entitled to a termination benefit equal to one (1x) times his annual remuneration including salary of \$180,000, bonus equivalent to 50% of salary and long-term incentive plan award and benefits. Mr. McCaffery is not entitled to any benefits or payments arising from a Change of Control.

### Value of Equity-Incentive Plan Vesting

In addition to the foregoing, in the event of a Change of Control or termination without cause, all unvested Units and associated cash distributions within the LTIP and the 2007 Incentive Plan vest immediately. Further, as disclosed above under "Incentive Plan Awards – Long Term Incentive Plan," in the event of a cessation of employment for either of Mr. Bereznicki, Mr. Crook or Mr. Kipnes (whether or not this cessation of employment arises from termination for cause or by virtue of resignation or retirement), all unvested LTIP Units (but not 2007 Incentive Plan Units) awarded to these individuals shall vest immediately.

Assuming a December 31, 2008 Change of Control or termination without cause, the NEOs would be entitled to the following disbursements from the incentive plans:



Name	LTIP Units at December 31, 2008 (#)	LTIP Market Value of Units at December 31 2008 <sup>(1)(4)</sup> (\$)	2007 Incentive Plan Units at December 31, 2008 (#)	Total Units at December 31, 2008 (#)	Market Value of Total Units <sup>(1)</sup> (\$)	Cash Distributions (\$) <sup>(2)</sup>	Total (\$)
Richard J. Crook <sup>(4)</sup>	9,272	96,892	6,155	15,427	161,212	27,219	188,431
Patrick J. de Grace	5,564	58,144	3,692	9,256	96,725	16,330	113,055
Irving Kipnes <sup>(4)</sup>	9,272	96,892	6,155	15,427	161,212	27,219	188,431
Henry Bereznicki <sup>(4)</sup>	9,272	96,892	6,155	15,427	161,212	27,219	188,431
Simon McCaffery <sup>(3)</sup>	-	-	-	-	-	-	-

## Notes:

- (1) Market value is based on the December 31, 2008 Unit closing price of \$10.45.
- (2) Cash distributions represent cash distributions earned on unvested Units within the LTIP and 2007 Incentive Plans during 2007 and 2008.
- (3) Mr. McCaffery commenced employment with Liquor Stores GP Inc. on February 18, 2008. As a result, he was not entitled to an award under the LTIP or 2007 Incentive Plan in respect of the 2007 year-end. No awards were granted for the 2008 year.
- (4) In addition to the total incentive plan disbursements triggered upon a Change of Control or a termination without cause, in the event of a cessation of employment for either of Mr. Crook, Mr. Bereznicki or Mr. Kipnes arising from a termination for cause, or by virtue of resignation or retirement, all unvested LTIP Units (but not 2007 Incentive Plan Units) awarded to these individuals shall vest immediately.

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.

## FORMER TRUSTEE AND DIRECTOR COMPENSATION

### Director Fees and Deferred Unit Plan

The Directors are compensated partly in fees (cash) and partly in deferred Units under a deferred unit plan (the “**Deferred Unit Plan**”) established in 2006. No additional forms of compensation are provided. Prior to the September 1, 2008 implementation of the Fund’s new corporate trustee model of governance, the Former Trustees were also compensated partly in fees (cash) and partly in deferred Units under the Deferred Unit Plan.

From September 30, 2006 until May 8, 2008, the annual cash compensation for Trustees was \$60,000 and non-employee Directors was \$30,000. Effective September 8, 2008, the Board of Directors resolved that all Trustees and non-employee Directors be compensated equally and the annual cash compensation was fixed at \$60,000. At their option, Directors may elect to receive a portion of their cash fees in deferred Units under the Deferred Unit Plan. In addition to any amounts elected to be paid in deferred Units, non-employee Directors are awarded 1,000 deferred Units annually. No additional fees are paid for attending meetings of the Board, or serving as Chair of any committee of the Board and the Former Trustees of the Fund received no additional fees for serving in this capacity, nor did they receive additional fees for serving as Trustees of LSOT and LBOT.

Certain features of the Deferred Unit Plan are as follows:

- All non-employee Directors are eligible to participate in the Deferred Unit Plan, the purpose of which is to enhance the ability of the Fund to attract and retain non-employee Directors whose training, experience and ability will promote the interests of the Fund and to align the interests of such non-employee Directors with the interests of Unitholders;
- The Deferred Unit Plan is administered by the Governance Committee;
- The Deferred Unit Plan is designed to permit such non-employee Directors to defer the receipt of all or a portion of the cash compensation otherwise payable to them. The Deferred Unit Plan allows the Directors to elect to receive up to 50% of their cash compensation as an award of deferred units;
- Deferred Unit means the right to receive the settlement amount under an award made pursuant to the Deferred Unit Plan. The award will be settled in cash equal to the aggregate current market value of the units and based on the closing price

of the units on the TSX on the trading day immediately preceding the payment date (the Fund also has the option to settle the amount in Units, in which case the number of Units that are issuable on the settlement date shall be acquired by Liquor Stores GP on the TSX, or from the Fund, as an issuance of treasury Units, or a combination thereof, provided that the aggregate number of Units that may be so acquired on the TSX within any 12 month period shall not exceed 5% of the outstanding Units as at the beginning of such period;

- Deferred Units credited to participants are subject to adjustment based on the Fund's per Unit distributions and settlement in cash, or at the Fund's option, Units, on the earlier of three years following the award date or the date the participant ceases to be a Director;
- In the event: (i) of any change in the Units through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) that any rights are granted to Unitholders to purchase Units at prices substantially below fair market value; or (iii) that, as a result of any recapitalization, merger, consolidation, or other transaction, the Units are converted into or exchangeable for any other securities; then in any such case the Board may make adjustments to the Deferred Unit Plan, to any awards made under the Deferred Units Plan and to any accounts held by Directors with respect thereto, as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to participants in the Deferred Unit Plan;
- Further, in the event the Fund enters into any transaction or series of transactions whereby the Fund or all or substantially all of the Fund's undertaking, property or assets would become the property of another trust, body corporate partnership, or other person, by way of take-over bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, the successor to the Fund will execute all such instruments and do such things as the Fund considers necessary to establish that upon the consummation of such transaction the successor will have assumed all covenants and obligations of the Fund under the Deferred Unit Plan and in respect of awards granted pursuant to the Deferred Units Plan in a manner that substantially preserves and does not impair the rights of the participants thereunder in any material respect;
- The right to receive deferred units is personal to Directors and may not be assigned (although Directors may request that settlement payments be issued to other individuals as the Directors may so direct); and
- The Fund retains the right to amend from time to time or to terminate the terms and conditions of the Plan by resolution of the Board of Directors. Any amendments shall be subject to the prior consent of any applicable regulatory bodies.

In connection with the adoption of the Deferred Unit Plan and to further and better align the interests of the Directors with those of the Unitholders, the Board of Directors adopted a policy that Directors must hold an aggregate minimum \$80,000 of Units and deferred Units, with such amounts to be acquired by November 8, 2011. At the date hereof, all of the Directors hold in excess of this minimum requirement.

The Fund and Liquor Stores GP reimburse Directors for out-of-pocket expenses for attending meetings. No directors' compensation is paid to Directors who are employees or members of management of Liquor Stores GP or Liquor Stores LP.

The aggregate amount earned by the Former Trustees and Directors of Liquor Stores GP as cash compensation, in their capacity as such, during the financial year ended December 31, 2008, was \$254,375 and awards of deferred Units aggregated 13,309 Units with a market value of \$139,079, representing 0.06% of total outstanding Units at December 31, 2008, based on the closing price of the Units on December 31, 2008, of \$10.45. At December 31, 2008 there were 26,938 unvested deferred Units, representing an amount equivalent to 0.12% of total outstanding Units.

## **2009 Director Compensation**

The Board of Directors (in consultation with the Governance Committee) has determined that taking into account the current uncertain economic climate and the fact that NEO salaries either remained at 2008 levels (in the case of the President & Chief Executive Officer, Vice-President, Finance & Chief Financial Officer, and Chief Operating Officer) or were reduced (in the case of the Board Chairman and Executive Chairman), it would also be prudent to reduce the overall compensation of Directors for 2009. Consequently, the 2009 annual fees for non-employee Directors were reduced by 10% (from \$60,000 to \$54,000) and the Deferred Unit Plan awards for non-employee Directors were also reduced by 10% (from 1000 Units to 900 Units).

### **Former Trustees' and Directors' Summary Compensation Table**

The following table sets forth for the year ended December 31, 2008, information concerning the compensation paid to our Directors (and the Former Trustees) other than Directors who are also Named Executive Officers:

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Unit-based awards<sup>(1)</sup> (\$)</b>	<b>Total<sup>(3)</sup> (\$)</b>
R. John Butler <sup>(2)</sup>	60,000	12,702	72,702
Gary Collins <sup>(2)</sup>	30,000	22,418	52,418
Jim Dinning <sup>(2)</sup>	60,000	12,702	72,702
Robert S. Green	35,625	15,467	51,092
Glen H. Heximer <sup>(2)</sup>	40,000	19,704	59,704
David B. Margolus	28,750	18,389	47,139

Notes:

- (1) Based on the fair value of the awards as at December 31, 2008 as per Section 3870 of the Handbook calculated by multiplying the number of awards by the December 31, 2008 closing trading price of the Units of \$10.45. The grant date fair value was based on the market price of the Units as at the date of grant. Subsequent changes in Unit price are reflected in the value above.
- (2) Until September 1, 2008, Messrs. Butler, Collins, Dinning and Heximer served as trustees as the Fund (concurrent with their period of service as Directors of Liquor Stores GP). On September 1, 2008, the Fund reorganized its governance structure and implemented a corporate trustee model of governance. For additional information respecting this restructuring, please see "Fund Structure" on page 3 of this Information Circular.
- (3) The difference in total compensation paid to Directors is a result of two factors: i) from September 30, 2006 until May 8, 2008, the annual cash compensation for Trustees was \$60,000 and non-employee Directors was \$30,000. Effective September 8, 2008, the Board of Directors resolved that all Trustees and non-employee Directors be compensated equally and the annual cash compensation was fixed at \$60,000; and ii) on an individual basis, Directors may elect to receive up to 50% of their fees in deferred Units awarded pursuant to the Deferred Unit Plan.

### **Former Trustees' and Directors' Outstanding Unit-Based Awards**

The following table sets forth for each of our Directors (and Former Trustees), other than Directors who are also Named Executive Officers, all Unit-based awards outstanding at December 31, 2008:

<b>Name</b>	<b>Unit-Based Awards</b>	
	<b>Number of units that have not vested (#)</b>	<b>Market or payout value of unit-based awards that have not vested<sup>(1)</sup> (\$)</b>
R. John Butler	3,289	34,370
Gary Collins	6,622	69,200
Jim Dinning	3,289	34,370
Robert S. Green	4,042	42,239
Glen H. Heximer	6,039	63,108
David B. Margolus	3,658	38,226

Notes:

- (1) Calculated based on the December 31, 2008 closing market price of the Units of \$10.45. All Unit-based awards to non-employee Directors are awarded pursuant to the terms of the Deferred Unit Plan. The award provides for a single payout with respect to time only and is based on the market price of the Units at the vesting date. Please see "Former Trustee and Director Compensation – Director Fees and Deferred Unit Plan."

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

At December 31, 2008, the Fund had 348,365 Units authorized for issuance pursuant to Liquor Stores LP's LTIP. For details regarding the LTIP, please see "Incentive Plan Awards – Long Term Incentive Plan."

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	Nil	Nil	348,365 <sup>(1)</sup>
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>348,365<sup>(1)</sup></b>

Note:

- (1) These Units were reserved pursuant to the LTIP. See "Incentive Plan Awards – Long Term Incentive Plan".

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Fund and its subsidiaries maintain numerous policies of executive protection insurance for its directors and officers. The aggregate limit of liability applicable to the insured directors and officers under the executive protection policies is \$34 million. The Fund's policies include primary and excess executive protection policies, stand-alone policies relative to employment practices liability coverage, fiduciary liability coverage and employed lawyer coverage. Under the executive protection policies, each entity has reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a predetermined deductible (such deductible being \$50,000 in relation to the primary executive protection policy). This primary executive protection 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. Although the stand-alone policies relative to employment practices, fiduciaries and employed lawyers contain coverage limits that are specific to those policies, the total limit of liability under the general primary and excess executive protection policies is shared among the insured entities and their respective directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective directors and officers. The annual aggregate premium for all director & officer insurance in the current financial year is \$136,925. The premiums for the policies are not allocated between the insured directors and officers as separate groups.

## INDEBTEDNESS OF FORMER TRUSTEES, DIRECTORS AND EXECUTIVE OFFICERS

### Aggregate Indebtedness

There is no indebtedness outstanding on the date hereof owed to (i) the Fund or any of its subsidiaries, or (ii) another entity where that indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the 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, a proposed nominee for election as a director of Liquor Stores GP, or an associate of any such director, executive officer or proposed director.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

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

- (1) Mr. Margolus, a Director of Liquor Stores GP, is counsel to and a partner of Witten LLP, which firm, among others, receives fees for legal services provided to the Fund, Liquor Stores LP and its affiliates, Liquor Depot and Liquor World. For the year ended December 31, 2008, such fees for legal services amounted to \$281,860.
- (2) A company controlled by Mr. Kipnes, Executive Chairman of Liquor Stores GP, has been contracted to provide tax services to the Fund. For the year ended December 31, 2008, the aggregate fees for these services were \$53,529.
- (3) Liquor Stores LP entered into a lease for new head-office office premises in 2007 with a limited partnership in which Mr. Kipnes has a 50% indirect interest and for which Mr. Kipnes is presently the sole officer and director of the general partner. For the year ended December 31, 2008, the Fund paid \$460,110 in rent.
- (4) Liquor Stores has entered into a lease for a new store with a company controlled by Mr. Kipnes. This agreement was finalized on March 4, 2008. The Fund received independent fairness and legal opinions concerning the rental rate and terms of the lease. For the year ended December 31, 2008, the Fund paid \$33,752 in rent.

## **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 directors or executive officers, as applicable, of the Fund or Liquor Stores GP.

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

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

## **ADDITIONAL INFORMATION**

Additional information relating to the Fund may be found on SEDAR at [www.sedar.com](http://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 Vice-President Finance & Chief Financial Officer of Liquor Stores GP at Liquor Stores GP, #300, 10508 – 82 Avenue, Edmonton, Alberta, T6E 2A4.

## SCHEDULE "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 52-110 *Audit Committees* (the "**CSA Audit Committee Rules**") include requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters. Reference is made to the section entitled "Audit Committee" of the Annual Information Form of the Fund dated March 17, 2009, available on SEDAR at [www.sedar.com](http://www.sedar.com) and which may be obtained free of charge, on request, from the Corporate Secretary of Liquor Stores GP.

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

Because of the Fund's structure, its approach to governance is best addressed by 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 Board is, in effect, responsible for the overall stewardship and governance of the Fund, Liquor Stores GP and Liquor Stores LP, and has put in place standards and benchmarks by which that responsibility can be measured.

<u>Required disclosure under the CSA Disclosure Instrument</u>	<u>Does the Fund align?</u>	<u>Corporate Governance Practices of the Fund</u>
1) Board of Directors of Liquor Stores GP		
a) Disclose the identity of directors who are independent.	Yes	Of the nine (9) members of the Board of Directors of Liquor Stores GP, six (6) directors are "independent" within the meaning of the CSA Disclosure Instrument. They are R. John Butler, Gary Collins, Jim Dinning, Glen H. Heximer, Robert S. Green and David Margolus. Mr. Green together with his associates and affiliates is, directly or indirectly, a shareholder of one of the vendors from whom Liquor Stores LP acquired the business on September 28, 2004 and which continue to hold exchangeable partnership units of Liquor Stores LP and special voting units of the Fund. Mr. Margolus, together with his associates and affiliates, is, directly or indirectly, a former shareholder of one of the vendors from whom Liquor Stores LP acquired the business on September 28, 2004, and indirectly continues to hold exchangeable partnership units of Liquor Stores LP and special voting units of the Fund. Mr. Margolus is also counsel to Witten LLP, which is one firm of several that receives fees for legal services provided to the Fund and its subsidiaries. The Directors 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 are "independent" within the meaning of the CSA Disclosure Instrument.

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Yes	Three (3) of the directors, Messrs. Bereznicki, Kipnes and Crook are officers of 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	Six (6) of Liquor Stores GP's nine (9) current directors are independent.
d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	The reporting issuer directorships of all director nominees are described on pages 4 and 5 of this Information Circular.
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	<p>Prior to the implementation of the Fund's streamlined corporate governance system, which took effect September 1, 2008 and which replaced the Board of Trustees with a corporate trustee, the Trustees (all of whom were independent and are also members of the Board of Directors) met at each regularly scheduled Liquor Stores GP meeting (in their capacity as trustees) without management present. Four (4) of such meetings were held in 2008.</p> <p>Following completion of the Fund's governance reorganization, the independent directors met at the final regularly-scheduled Board of Directors meeting of Liquor Stores GP held in 2008, without management or non-independent Directors present.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	Yes	Irv Kipnes is the Executive Chairman of the Board. Mr. Kipnes is not independent within the meaning of the CSA Disclosure Instrument. Henry Bereznicki is the Board Chairman. Mr. Bereznicki is not independent within the meaning of the CSA Disclosure Instrument. However, six (6) of Liquor Stores GP's nine (9) current directors are independent and the Audit Committee, Governance Committee, and Compensation Committee of Liquor Stores GP are each composed entirely of "independent" directors within the meaning of the CSA Disclosure Instrument. In addition, the independent members of the Board of Directors meet regularly without management or non-independent directors present. The Board has no formal mandate relative to leadership for its independent directors, however the Board is confident that the combination of experience, knowledge, and professionalism of its independent members is such that the independent directors do not require formal leadership to discharge their duties as independent directors.
g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Yes	The record of attendance of directors at Board and committee meetings during 2008 is set forth in <b>Schedule "B"</b> to this Information Circular. <b>Schedule "B"</b> also contains a record of attendance for the trustees serving on the Board of Trustees of the Fund prior to the implementation of the Fund's streamlined corporate governance system, which took effect September 1, 2008 and which replaced the Board of Trustees with a corporate trustee.
2) <b>Board Mandate</b> - Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	Yes	The Board of Directors has adopted a formal board mandate, which is attached to this Information Circular as <b>Schedule "C"</b>
3) <b>Position Descriptions</b>		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 Fund's business is administered by Liquor Stores GP, as administrator of the Fund.



Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p>a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p>	Yes	<p>The Board of Directors has adopted formal terms of reference for each of the Executive Chairman and Board Chairman however it does not have written position descriptions for the chair of each board committee.</p> <p>The terms of reference of the Executive Chairman of the Board state that the Executive Chairman's primary role is to work with the President &amp; Chief Executive Officer of Liquor Stores GP and the Directors to ensure effective relations with the Board, unitholders, other stakeholders and the public. Among other duties, the Board expects that the Executive Chairman has the responsibility to work in conjunction with the President &amp; CEO on major strategy issues, represent Liquor Stores GP in a general industry and community context, and provide advice on major policy issues.</p> <p>The terms of reference of the Board Chairman state that the Board Chairman's primary role is managing the affairs of the directors including chairing Board meetings, leading the directors in their proper organization, effective functioning and meeting their obligations and responsibilities. The directors expect the Board Chairman to provide leadership to enhance Board effectiveness and to facilitate their work as a cohesive group.</p> <p>Although there are no written terms of reference for each committee chair, the Board delineates the role and responsibilities of each committee chair with direct reference to the responsibilities of each committee as set forth in the written mandates for each committee. Each committee chair is looked upon to lead their respective committee's in discharging the duties and responsibilities of each committee. Similar to the responsibilities of the Board Chairman, each committee chair is expected to provide leadership to enhance committee effectiveness and oversee the committee's discharge of its duties and responsibilities. Committee chairs must report regularly to the Board of Directors on the business of their committee and the discharge of duties as set forth in the written committee mandates.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<p>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.</p>	Yes	<p>The Board of Directors has adopted a formal position description for the President &amp; CEO. According to the position description, the President &amp; 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 President &amp; 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, 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 approves all material transactions.</p> <p>The Compensation Committee of Liquor Stores GP, together with the Executive Chairman of the Board and the President &amp; CEO, develop each year goals and objectives that the President &amp; CEO is responsible for meeting. The Compensation Committee and the Executive Chairman of the Board evaluate the President &amp; CEO's performance in light of such goals and objectives and in consultation with and with approval of the Board of Directors establish the CEO's compensation based on this evaluation. The corporate objectives that the President &amp; CEO is responsible for meeting, with the rest of management placed under his supervision, are determined by the strategic plans and the budget as they are approved each year by the Board.</p>
<p><b>4) Orientation and Continuing Education</b></p>		
<p>a) Briefly describe what measures the board takes to orient new directors regarding</p>	Yes	<p>The Governance Committee is responsible for developing, monitoring and reviewing the Fund's orientation and continuing education programs for directors. The Governance Committee has developed the following orientation program.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
<ul style="list-style-type: none"> <li>i) the role of the board, its committees and its directors, and</li> <li>ii) the nature and operation of the issuer's business.</li> </ul>		<p>New 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 directors will meet individually with the President &amp; CEO and other senior executives to discuss these matters.</p> <p>The program is designed to ensure that prospective candidates understand the role of the Board, as applicable, their respective committees and the contribution that individual directors are expected to make, including, in particular, the personal commitment expected of directors.</p>
<ul style="list-style-type: none"> <li>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.</li> </ul>	Yes	<p>The Executive Chairman of the Board, in consultation with the Governance Committee, monitors and reviews the continuing education programs for directors and ensures that directors have access to education and information on an ongoing basis and as required. Senior management makes regular presentations to the Board on the main areas of the Fund's business.</p>
<b>5) Ethical Business Conduct</b>		
<ul style="list-style-type: none"> <li>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:</li> </ul>	Yes	<p>The Fund has adopted a Joint Code of Business Conduct (the "<b>Code</b>").</p>
<ul style="list-style-type: none"> <li>i) disclose how a person or company may obtain a copy of the code;</li> </ul>		<p>The Code is accessible on the Fund's website at <a href="http://www.liquorstoresgp.ca">www.liquorstoresgp.ca</a> and on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>. A paper copy is also available upon request from the Corporate Secretary of the Fund.</p>
<ul style="list-style-type: none"> <li>ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</li> </ul>		<p>The Code is distributed to and signed by each of Liquor Stores GP's salaried employees when they are hired.</p> <p>In addition, Liquor Stores GP conducts an annual certification process to monitor compliance with the Code and the Chief Operating Officer reports the results of such process to the Board on an annual basis.</p>

Required disclosure under the CSA Disclosure Instrument	Does the Fund align?	Corporate Governance Practices of the Fund
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.		No such material change report has been filed during 2008.
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.	Yes	In accordance with applicable law, when a conflict of interest arises, a director is required to disclose his or her interest and abstain from voting on the matter. In addition, the Board Chairman, will ask the director to leave the room during any discussion concerning such matter.
c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	Yes	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.
<b>6) Nomination of Directors</b>		
a) Describe the process by which the board identifies new candidates for board nomination.	Yes	The Governance Committee of the Board is responsible for developing, reviewing and monitoring criteria, as well as establishing procedures for selecting directors by regularly assessing the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the directors and the circumstances and needs of the Fund, Liquor Stores GP and its subsidiaries. The committee identifies candidates qualified to become Board members and selects or recommends that the Directors select nominees for the next annual meeting of Unitholders
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.	Yes	The Governance Committee is currently comprised of five (5) directors, all of whom are "independent" within the meaning of the CSA Disclosure Instrument.

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	The Directors have adopted a formal charter for the Governance Committee.  The charter of the Governance Committee with respect to governance matters provides that the committee is responsible for overseeing the functioning and assessment of the Board and the committees of the Board and for the development, recommendation to the Board, implementation, and assessment of effective governance principles. Among other things, the committee is responsible for monitoring the composition and performance of the Board and its committees. The committee identifies candidates qualified to become Board members and regularly assesses the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the Board members and the circumstances and needs of Liquor Stores GP. The committee also reviews annually the performance and effectiveness of the Board, its committees, committee chairs and Board members.
<b>7) Compensation</b>		
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 is determined annually by the Board based on the reviews and recommendations of the Governance Committee, and the compensation of senior officer's is determined annually by the Board based on the reviews and recommendations of the Compensation Committee.
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 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 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>	Yes	<p>The charter of the Compensation Committee with respect to compensation matters provide that the committee's responsibilities include oversight of director and officer and employee remuneration and compensation, oversight of the evaluation of management of Liquor Stores GP, including the President &amp; CEO and reviewing the effectiveness of Liquor Stores GP's human resources and development, succession planning and performance evaluation programs for senior executives. The committee recommends the appointment of officers, including the terms and conditions of their appointment and termination, and reviews the evaluation of the performance of Liquor Stores GP's officers, including recommending their compensation. In collaboration with the Executive Chairman of the Board, the committee also reviews the CEO's corporate goals and objectives and evaluates his performance in light of such goals and objectives. The committee also oversees management's implementation of appropriate human resources systems, such as hiring policies, training and development policies and compensation structures with a view to enabling Liquor Stores GP to attract, motivate and retain quality executives and personnel.</p> <p>The Compensation Committee reports its findings to the Board.</p> <p>During 2008, Towers Perrin (a global professional services firm) was engaged to provide independent advice to the Board on certain matters relating to executive compensation and the structure of compensation for executives of Liquor Stores GP. In providing this advice, Towers Perrin analyzed comparative market information to assist the Board in assessing the competitiveness and scope of Liquor Stores GP's current compensation structure. Towers Perrin was not retained to perform any other work.</p>
<p>8) <b>Other Board Committees</b> — If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	Yes	<p>The Board of Directors and has no standing committees other than the Audit, Compensation, and Governance Committees.</p>

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

## SCHEDULE "B"

### RECORD OF ATTENDANCE BY FORMER TRUSTEES AND DIRECTORS For the year ended December 31, 2008

Former Trustees	Number of meetings attended	
	Trustees	Committees <sup>1</sup>
R. John Butler, Q.C.	3 of 4	3 of 4
Gary Collins	4 of 4	4 of 4
Jim Dinning	3 of 4	4 of 4
Glen H. Heximer	4 of 4	4 of 4

Directors	Number of meetings attended	
	Directors	Committees
Henry Bereznicki	7 of 7	n/a
R. John Butler	6 of 7	9 of 11
Gary Collins	7 of 7	11 of 11
Jim Dinning	7 of 7	11 of 11
Robert S. Green <sup>2</sup>	7 of 7	4 of 4
Glen H. Heximer	7 of 7	11 of 11
Irving Kipnes	7 of 7	n/a
David B. Margolus <sup>3</sup>	7 of 7	4 of 4

#### Summary of Former Trustee, Director and Committee meetings held

Trustees	4
Directors	7
Audit <sup>1</sup>	5
Compensation	5
Governance	5

### LIST OF COMMITTEE MEMBERS

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

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

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

Notes:

<sup>1</sup> Prior to the corporate governance reorganization completed on September 1, 2008, the Audit Committee was a committee of Liquor Stores Income Fund. As part of the reorganization, the Audit Committee ceased being a committee of Liquor Stores Income Fund and was established as a committee of Liquor Stores GP. The Audit Committee held four (4) meetings as a committee of Liquor Stores Income Fund in 2008, and subsequent to the completion of the corporate governance reorganization, the Audit Committee held one (1) meeting as a committee of Liquor Stores GP in 2008.

<sup>2</sup> Mr. Green was appointed as a member of the Audit Committee and as a member of the Compensation Committee on May 8, 2008.

<sup>3</sup> Mr. Margolus was appointed as a member of the Governance Committee and as a member of the Compensation Committee on May 8, 2008.



**SCHEDULE "C"**  
**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 Liquor Stores Income Fund (the "**Fund**"); the Declaration of Trust of Liquor Stores Operating Trust ("**LSOT**"); the Declaration of Trust of Liquor Barn Operating Trust ("**LBOT**"); the Administration Agreement between CIBC Mellon Trust Company, as trustee of the Fund, and the GP ("**Administration Agreement**"); the Administration Agreement between LSOT Trustee Ltd., as trustee of LSOT, and the GP; the Administration Agreement between LBOT Trustee Ltd, as trustee of LBOT, and the GP; the Exchange Agreement between the Fund, LSOT, the GP, Liquor Stores Limited Partnership (the "**LP**") and others; and the Limited Partnership Agreement ("**Partnership Agreement**") governing the LP.

The Board is elected by the Trustee, at the direction of the Fund unitholders in accordance with the provisions of the Fund's Declaration of Trust and is responsible for the stewardship of the affairs of the GP and the Fund. 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, exercising its voting and management rights as the general partner of the LP, and ensuring all responsibilities set forth in the Administration Agreement are fulfilled.

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the GP (and the affairs of the Fund pursuant to the Administration Agreement). 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 the Trustee (at the direction of the Fund 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 GP and its shareholders (and the Fund and its unitholders) must be paramount at all times.

**Duties of Directors**

The Board discharges its responsibilities directly and through its committees, the Compensation Committee, the Governance Committee and the Audit Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary role of overseeing the affairs of the 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 Executive Chairman, Board Chairman, Chief Executive Officer and any other officers of the GP (collectively, the "**GP Officers**"), and approving the compensation of the Executive Chairman, Board Chairman, Chief Executive Officer and other officers and employees of the GP following a review of the recommendations of the Compensation Committee.
2. The Board has delegated authority to the Chief Executive Officer for the overall management and operations of the 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 Executive Chairman and Chief Executive Officer. The Chief Executive Officer will work in conjunction with the Executive Chairman on strategy related issues to ensure the long term success of the GP. This delegation is subject to the General Authority Guidelines in **Appendix "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. Based upon the recommendations of the Audit Committee, the Board shall be responsible for approving the unaudited financial statements and the notes of the GP and the LP and the consolidated financial statements of the Fund (and the notes and Management's Discussion and Analysis accompanying such consolidated financial statements), LSOT, LBOT, the GP and the LP.
9. The Board is responsible for reviewing and approving material transactions 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.
12. 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**

13. The Board will respond to recommendations received from the Compensation, Governance and Audit Committees, but, subject to the Governance Agreements, retains the responsibility for managing its own affairs by giving approval for its composition, the selection of the Executive Chairman, Board Chairman, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
14. 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**

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

## **Communications and Reporting**

17. The Board is responsible for:
- (a) overseeing the accurate reporting of the financial performance of the GP, the LP and the Fund to unitholders, on a timely and regular basis;
  - (b) overseeing that the financial results of the GP, the LP and the Fund 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, the LP and the Fund; 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.

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

### **LIQUOR STORES GP INC. GENERAL AUTHORITY GUIDELINES**

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

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

The Board of Directors of the GP have determined that the Chief Executive Officer is responsible for overall management and operations of the GP. The Chief Executive Officer will work in conjunction with the Executive 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**

5. Review and approve the annual budget of the LP and the annual budget for the GP, if any.
6. Approve any capital commitments in any year not contained in the approved budget of the LP or the GP over \$300,000 in aggregate.
7. Approve any single capital commitment for an acquisition or acquisitions exceeding \$3,000,000 (inclusive of related store development costs), in aggregate.
8. Approve any single divestiture of more than \$3,000,000.
9. Approve long range business planning in accordance with the policies of the GP.
10. 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**

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

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

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

### **V. Insurance Matters**

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

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

26. Approve appointment or removal of any of the GP Officers;
27. Confirm appointments of other officers.
28. Evaluate performance of the Executive Chairman, Board Chairman and the Chief Executive Officer.
29. Approve compensation for the GP Officers.

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

## SCHEDULE "D"

### LIQUOR STORES INCOME FUND

#### UNIT OPTION PLAN

#### 1. Purpose of Plan

The purpose of this Plan is to aid in attracting, retaining and motivating the officers, directors, employees and other eligible Service Providers of Liquor Stores Income Fund and its subsidiaries in the growth and development of the Fund and its subsidiaries by providing them with the opportunity through Options to acquire an increased proprietary interest in the Fund.

#### 2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- (a) **"Black-Out Period"** means the period of time when, pursuant to any policies of the Fund, any securities of the Fund may not be traded by certain persons as designated by the Fund, including any holder of an Option;
- (b) **"Board"** means the board of directors of Liquor Stores GP Inc., the administrator of the Fund, as constituted from time to time;
- (c) **"business day"** means a day other than a Saturday, Sunday or other day when banks in the City of Edmonton, Alberta are generally not open for business;
- (d) **"Change of Control"** means:
  - (i) a successful takeover bid other than in connection with an Internal Reorganization; or
  - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Fund which results in:
    - (I) a person or group of persons "acting jointly or in concert" (as defined in MI 62-104, as amended from time to time); or
    - (II) an affiliate or associate of such person or group of persons; holding, owning or controlling, directly or indirectly, more than 30% of the outstanding voting securities or interests of the Fund; and
  - (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; or
- (iii) Incumbent Directors no longer constituting a majority of the Board; or
- (iv) the winding up of the Fund or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Fund to any other person or persons, other than in connection with an Internal Reorganization; or
- (v) any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Plan;

- (e) "**Committee**" means a special committee of the Board appointed from time to time by the Board to administer the Plan or, if no such committee is appointed, the Board;
- (f) "**Entity**" means a body corporate, trust, limited partnership, partnership or other person;
- (g) "**Exchange**" means the TSX or, if the Trust Units are not then listed and posted for trading on the TSX, such stock exchange on which such Trust Units are listed and posted for trading as may be selected for such purpose by the Board;
- (h) "**Fair Market Value**" with respect to a Trust Unit, as at any date, means the weighted average of the prices at which the Trust Units traded on the TSX (or, if the Trust Units are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Trust Units occurs) for the five (5) trading days on which the Trust Units traded on the said exchange immediately preceding such date. In the event that the Trust Units are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Trust Units as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (i) "**Fund**" means Liquor Stores Income Fund, and includes any successor corporation thereof;
- (j) "**Incumbent Directors**" means any member of the Board who was a member of the Board at the effective date of the Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (k) "**Insider**", "**associate**" and "**affiliate**" each have the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;
- (l) "**Internal Reorganization**" means a takeover bid, change in the beneficial ownership or control of the outstanding securities or other interests of the Fund, the winding up or termination of the Fund, the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Fund, a merger or combination with or into any other Entity including, without limitation, the "conversion" of the Fund into a corporation or other Entity or any similar transaction (each, an "event") following which all of the following conditions are satisfied: (i) substantially all of the business of the Fund is continued with the successor or continuing Entity, and (ii) members of the Board who are members of the Board immediately prior to the earlier of such event and the first public announcement of such event continue to constitute a majority of the Board (or the board of directors or similar governing body of the successor or continuing Entity) sixty days after such event;
- (m) "**Market Price**" means the last closing price of the Trust Units on the TSX preceding the time of grant;
- (n) "**MI 62-104**" means *Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids*;
- (o) "**Option**" means an option to purchase Trust Units granted pursuant to the provisions hereof;
- (p) "**Option Agreement**" has the meaning ascribed thereto in Article 17 hereof;
- (q) "**Optionees**" means persons to whom Options are granted and which Options, or a portion thereof, remain unexercised;
- (r) "**Plan**" means this Unit Option Plan of the Fund, as the same may be amended or varied from time to time;



- (s) **"Security Based Compensation Arrangements"** has the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;
- (t) **"Service Provider"** means a director, officer, employee and a person or company engaged by the Fund or any of its subsidiaries to provide services for an initial, renewable or extended period of twelve months or more;
- (u) **"takeover bid"** means a "take-over bid" as defined in MI 62-104, as amended from time to time, pursuant to which the "offeror" would as a result of such takeover bid, if successful, beneficially own, directly or indirectly, in excess of 50% of the outstanding Trust Units;
- (v) **"Trust Units"** means the trust units of the Fund or, in the event of an adjustment contemplated by Article 11 hereof, such other Trust Units to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- (w) **"TSX"** means the Toronto Stock Exchange.

### **3. Administration**

The Plan shall be administered by the Committee pursuant to rules of procedure fixed by the Board.

### **4. Granting of Options**

The Committee may from time to time designate officers, directors, employees and other eligible Service Providers of the Fund and its subsidiaries to whom Options may be granted and the number of Trust Units to be optioned to each, provided that the number of Trust Units to be optioned shall not exceed the limitations provided in Article 5 hereof.

### **5. Limitations to the Plan**

Notwithstanding any other provision of the Plan:

- (a) the maximum number of Trust Units issuable on exercise of outstanding Options at any time shall be limited to 10.0% of the aggregate number of issued and outstanding Trust Units, less the number of Trust Units issuable pursuant to all other Security Based Compensation Arrangements;
- (b) the number of Trust Units reserved for issuance to any one Optionee will not exceed 5% of the issued and outstanding Trust Units;
- (c) the number of Trust Units issuable to Insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Trust Units;
- (d) the number of Trust Units issued to Insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Trust Units; and
- (e) the maximum number of Trust Units issuable on exercise of Options outstanding at any time held by directors of the administrator of the Fund who are not officers or employees of the Fund or its subsidiaries shall be limited to 1% of the issued and outstanding Trust Units.

For the purposes of this Article 5, any increase in the issued and outstanding Trust Units (whether as a result of the exercise of Options or otherwise) will result in an increase in the number of Trust Units that may be issued on exercise of Options outstanding at any time and any increase in the number of Options granted will, upon exercise, make new grants available under the Plan.

Options that are cancelled, terminated or expire prior to the exercise of all or a portion thereof shall result in the Trust Units that were reserved for issuance thereunder being available for a subsequent grant of Options

pursuant to this Plan to the extent of any Trust Units issuable thereunder that are not issued under such cancelled, terminated or expired Options.

## **6. Vesting**

The Committee may, in its sole discretion, determine: (i) the time during which Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Committee to the contrary, Options will vest and be exercisable as to one-third (1/3) of the total number of Trust Units subject to the Options on each of the first, second, and third anniversaries of the date of grant (computed in each case to the nearest whole Trust Unit). Notwithstanding the foregoing, the Committee may, at its sole discretion at any time or in the Option Agreement in respect of any Options granted, accelerate or provide for the acceleration of vesting of Options previously granted.

## **7. Option Price**

The exercise price of Options granted under the Plan shall be fixed by the Committee when such Options are granted, provided that the exercise price of Options shall not be less than the Market Price of the Trust Units at the time an Option is granted (or such other minimum price as may be required by the stock exchange on which the Trust Units are listed at the time of grant).

## **8. Option Terms**

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring or permitting acceleration of rights of exercise or the extension of the exercise period, be such period, not in excess of five (5) years, as may be determined from time to time by the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five (5) years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, each Option shall provide that:

- (a) upon the death of the Optionee, the Option shall terminate on the date determined by the Committee which shall not be more than twelve (12) months from the date of death and, in the absence of any determination to the contrary, will be six (6) months from the date of death;
- (b) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Fund or a subsidiary of the Fund (other than by reason of death or termination for cause), the Option shall terminate on the expiry of the period not in excess of six (6) months as prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be a director or officer of, or an employee of or a consultant or other Service Provider to, either the Fund or a subsidiary of the Fund and, in the absence of any determination to the contrary, will terminate ninety (90) days following the date that the Optionee ceases to be a director or officer of, or an employee of or a consultant or other Service Provider to, the Fund or any subsidiary of the Fund; and
- (c) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Fund or a subsidiary of the Fund by reason of termination for cause, the Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing);

provided that the number of Trust Units that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination: (i) shall in the case of death of the Optionee, be all of the Trust Units that may be acquired on exercise of the Options held by such Optionee (or his or her heirs or successors) whether or not previously vested, and the vesting of all such Options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Trust Units which the Optionee was entitled to purchase on the date the Optionee ceased to be an officer, director, employee, consultant or other Service Provider, as the case may be.

If any Options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such Options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be extended for a period of seven business days following the end of the Black Out Period (or such longer period as permitted by the Exchange and approved by the Committee).

The Plan does not confer upon an Optionee any right with respect to continuation of employment by or service provision to the Fund or any subsidiary thereof, nor does it interfere in any way with the right of the Optionee, the Fund or a subsidiary thereof to terminate the Optionee's employment or service provision at any time.

#### **9. Exercise of Option**

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Fund at its head office in Edmonton, Alberta or such other place as may be specified by the Fund, of a written notice of exercise specifying the number of Trust Units with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Trust Units then being purchased.

#### **10. Surrender Offer**

An Optionee may make an offer (the "**Surrender Offer**") to the Fund, at any time, for the disposition and surrender by the Optionee to the Fund (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed the Fair Market Value of the Trust Units less the exercise price of the Options) specified in the Surrender Offer by the Optionee and the Fund may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Fund to the Optionee.

#### **11. Alterations in Units**

In the event:

- (a) of any change in the Trust Units through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or
- (b) that any rights are granted to unitholders to purchase Trust Units at prices substantially below Fair Market Value; or
- (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Trust Units are converted into or exchangeable for any other securities;

then the Board may make such adjustments to the Plan, to any Options and to any Option Agreements outstanding under the Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees hereunder.

#### **12. Merger and Sale, etc.**

Except in the case of a transaction that is a Change of Control and to which Article 13 applies, if the Fund enters into any transaction or series of transactions whereby the Fund or all or substantially all of the Fund's undertaking, property or assets would become the property of any other trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Fund and the Successor will execute such instruments and do such things as the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will assume all the covenants and obligations of the Fund under this Plan and the Option Agreements outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Fund under this Plan and Option Agreements with the same effect as though the Successor had been named as the Fund herein and therein and thereafter, the Fund shall be relieved of all obligations and covenants

under this Plan and such Option Agreements and the obligation of the Fund to the Optionees in respect of the Options shall terminate and be at an end and the Optionees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Trust Units upon vesting of the Options.

### **13. Acceleration of Vesting**

Notwithstanding any other provision in this Plan, if there takes place a Change of Control, all issued and outstanding Options shall be exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90<sup>th</sup> day after the occurrence of such Change of Control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such Change of Control takes place.

### **14. No Rights as a Unitholder**

An Optionee shall not have any of the rights or privileges of a unitholder of the Fund in respect of any Trust Units issuable upon exercise of an Option until certificates representing such Trust Units have been issued and delivered.

### **15. Regulatory Authorities Approvals**

The Plan shall be subject to the approval, if required, of any stock exchange on which the Trust Units are listed for trading. Any Options granted prior to receipt of such approval and after listing on any such stock exchange shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

### **16. Options to Companies**

The provisions herein in respect of the grant of Options shall apply, with appropriate modifications, to the grant of Options to a company either: (i) wholly-owned by any person to whom Options may otherwise be granted hereunder; or (ii) controlled by any person to whom Options may otherwise be granted hereunder (and the units of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren); subject to any requirements of any applicable regulatory authority having jurisdiction.

### **17. Option Agreements**

A written agreement (an "**Option Agreement**") will be entered into between the Fund and each Optionee to whom an Option is granted hereunder, which Option Agreement will set out the number of Trust Units subject to Option, the exercise price, the vesting dates, circumstances when vesting of Options may be accelerated, the expiry date and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The Option Agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Fund to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Fund. Such Option Agreements may also contain such other provisions not inconsistent with the provisions hereof as the Committee may determine. Until determined otherwise by the Committee, Option Agreements shall be in the form attached as Schedule "A" hereto.

### **18. Amendment or Discontinuance of the Plan**

The Board may amend or discontinue the Plan at any time without the consent of an Optionee, provided that such amendment shall not adversely alter or impair any Option previously granted under the Plan except as otherwise permitted hereunder. In addition, the Board may, by resolution, amend this Plan and any Option granted under it without unitholder approval, provided however, that the Board will not be entitled to amend the Plan without Exchange and unitholder approval: (i) to increase the maximum number of Trust Units issuable pursuant to the Plan; (ii) to reduce the exercise price of an Option held by an Insider; (iii) to extend the term of an Option held

by an Insider; or (iv) in any other circumstances where Exchange and unitholder approval is required by the Exchange.

**19. Effective Time**

This Plan shall be effective as of [●], 2009.

## SCHEDULE "A"

### FORM OF UNIT OPTION AGREEMENT

MEMORANDUM OF AGREEMENT made as of the • day of •, 200•.

BETWEEN:

(i) **Liquor Stores Income Fund**, a trust formed pursuant to the laws of the Province of Alberta, having an office in the City of Edmonton, in the Province of Alberta (the "**Fund**")

OF THE FIRST PART

AND

(ii) •, an individual resident in the City of •, in the • of • (the "**Optionee**")

OF THE SECOND PART

WHEREAS the Fund has established a Unit Option Plan (the "**Plan**");

AND WHEREAS the Board of Directors of Liquor Stores GP Inc., the administrator of the Fund, has determined that options to purchase trust units of the Fund pursuant to the Plan be granted to the Optionee as hereinafter provided for;

NOW THEREFORE in consideration of the services provided and to be provided by the Optionee to the Fund or to one of the subsidiaries of the Fund, as the case may be, THIS AGREEMENT WITNESSES and it is understood and agreed by and between the parties hereto as follows:

#### 1. Grant of Option

Subject to the provisions hereinafter contained, the Fund gives and grants to the Optionee options irrevocable unless otherwise terminated under the provisions of this Agreement up to and including •, 20•• (the "**Expiration Date**") to purchase • trust units of the Fund (the "**Optioned Units**"), as presently constituted, at a price of \$• per unit on the following basis, namely:

- (a) one year from the date hereof the right to purchase one-third (1/3) of the Optioned Units (rounded to the nearest full unit) or • trust units shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein;
- (b) two years from the date hereof the right to purchase an additional one-third (1/3) of the Optioned Units (rounded to the nearest full unit) or an additional • trust units shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein; and
- (c) three years from the date hereof the right to purchase the balance of the Optioned Units (rounded to the nearest full unit) or an additional • trust units shall vest in the Optionee and shall be exercisable thereafter on the terms and conditions set forth herein.

#### 2. Term of Option

This option shall wholly terminate at the Expiration Date with respect to any Optioned Units that shall not have been purchased hereunder by that date.

#### 3. Manner of Exercise

This option shall be exercised by notice in writing given by the Optionee to the Fund at its address for notice set out in clause 9 hereof (as changed from time to time thereunder), specifying the number of Optioned Units in respect of which it is

exercised and accompanied by payment in cash or certified cheque for the purchase price of all of the Optioned Units specified in such notice, calculated in accordance with clause 1 hereof. As soon as practicable following receipt of the notice and payment aforesaid, the Fund shall cause to be issued in the name of the Optionee a certificate representing the Optioned Units in respect of which the option shall have been exercised.

#### 4. Cessation of Employment or Office

In the event of the Optionee ceasing to be a director, officer, employee of, or consultant or other Service Provider to, either the Fund or any subsidiary of the Fund (other than by reason of death or termination for cause), this option shall terminate and become null and void as to any Optioned Units not taken up and paid for pursuant hereto on the date (the "**Termination Date**") which is the first to occur of:

- (a) the expiration of 90 days following the date of termination or resignation; and
- (b) the Expiration Date;

provided that the number of Optioned Units that the Optionee shall be entitled to purchase until the Termination Date shall be the number of Optioned Units which the Optionee was entitled to purchase on the date the Optionee ceased to be a director, officer or employee of, or consultant or other Service Provider to, either the Fund or a subsidiary of the Fund, as the case may be. Notwithstanding the foregoing, if the Optionee shall no longer be a director, officer or employee of, or consultant or other Service Provider to, either the Fund or a subsidiary of the Fund by reason of termination for cause, the Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing).

#### 5. Death of Optionee

In the event of the death of the Optionee during the term of this option while the Optionee is still in the service of the Fund, this option shall terminate and become null and void as to any Optioned Units not taken up and paid for pursuant hereto on the date (the "**Termination Date**") which is the first to occur of:

- (a) the expiration of six (6) months following the date of death; or
- (b) the Expiration Date;

provided that the number of Optioned Units that the Optionee's legal personal representative shall be entitled to purchase until the Termination Date shall be all of the Optioned Units that may be acquired on exercise of the Options held by such Optionee whether or not previously vested, and the vesting of all such Options shall be accelerated on the date of death for such purpose.

#### 6. Assignment

This option shall not be assignable by the Optionee either in whole or in part and, upon any purported assignment being made in contravention of the terms hereof, this option shall become null and void and of no further force or effect.

#### 7. Enurement

Except as otherwise set forth herein, this Agreement shall be binding upon and enure to the benefit of the heirs, executors, administrators and successors of the Optionee and of the Fund, respectively.

#### 8. Time

Time shall be of the essence of this Agreement.

#### 9. Notice

All notices required or allowed to be given under this Agreement shall be made either personally or by mailing the same by prepaid registered post to:

The Optionee: •  
 The Fund: •  
 Edmonton, Alberta •

Notices delivered personally shall be deemed to be received on the day of delivery, Saturdays, Sundays and statutory holidays excepted; notices given by mail shall be deemed to have been received by the addressee on the fourth business day following the date of mailing. Either party may change its address for notice hereunder in the above manner.

#### **10. Obligation to Purchase**

Nothing herein contained or done pursuant hereto shall obligate the Optionee to purchase and/or pay for any Optioned Units except those Optioned Units in respect of which the Optionee shall have exercised the option to purchase in the manner hereinbefore provided.

#### **11. Rights Prior to Exercise**

The Optionee shall have no rights whatsoever as a unitholder in respect of any of the Optioned Units subject to this Agreement (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Optioned Units in respect of which the Optionee shall have exercised the option to purchase hereunder and which the Optionee shall have actually taken up and paid for.

#### **12. Agreement Subject to Plan**

The Optionee acknowledges receipt of a copy of the Plan and hereby agrees that the terms and conditions of the Plan shall govern the Options granted hereby including, without limitation, all amendments to the Plan: (i) required by any applicable stock exchange or other regulatory authority; (ii) made by the Committee in accordance with the Plan; or (iii) otherwise consented to by the Optionee; and that this Agreement shall be deemed to be amended in accordance with any such amendments to the Plan. In the event of a conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern. The Optionee acknowledges that it has read and understands the provisions of the Plan. Capitalized words and phrases used herein but not defined herein have the meanings set forth in the Plan.

#### **13. Regulatory Approvals**

This Agreement shall not become effective and none of the Optioned Units shall be issued until the approval of any stock exchange on which the Fund's trust units are traded is obtained to the granting of the option provided for herein and, if required by any such stock exchange, approval of the unitholders of the Fund to the grant of this option or to the Plan. In the event that the approval of such stock exchange is not so obtained within a period as may be specified by the Committee or if unitholder approval is not so obtained, if required, at the next meeting of unitholders of the Fund, this Agreement shall terminate and cease to be of any force or effect.

#### **14. Cessation of Employment**

For the purposes of this Agreement, the Optionee shall be deemed to have ceased to be an employee of the Fund or any subsidiary of the Fund, as applicable, and the Optionee shall be deemed to have been terminated or resigned from employment or a consulting arrangement with the Fund for the purposes hereof on the first to occur of such termination or resignation or the date (as determined by the Committee) that the Optionee ceases in the active performance of all of the regular duties of the Optionee's job, which includes the carrying on of all of the usual and customary day to day duties of the job for the normal and scheduled number of hours in each working day; the foregoing to apply whether or not adequate or proper notice of termination shall have been provided by and to the Fund in respect of such termination of employment or consulting arrangement.



**15. Employment by Subsidiary**

For purposes of this Agreement, reference herein to employment by, consulting or Service Provider to, the Fund of the Optionee shall be deemed to include employment by, consulting or Service Provider to any of the Fund's subsidiaries of the Optionee, as the context requires.

**16. Limitation of Liability**

The parties hereto acknowledge that the obligations of the Fund hereunder shall not be personally binding on any Unitholder and recourse against any of the Unitholders of the Fund in any manner in respect of any indebtedness, obligation or liability of the Fund 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 amended and restated Declaration of Trust of the Fund, as amended from time to time.

IN WITNESS WHEREOF the parties hereto have hereunto executed and delivered this Agreement as of the day and year first above written.

**Liquor Stores Income Fund, by its administrator**

**Liquor Stores GP Inc.**

Per: \_\_\_\_\_

SIGNED, SEALED AND DELIVERED in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
●