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This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered by this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state of the United States and may not be offered or sold within the United States. This short form prospectus does not constitute any offer to sell or the solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Liquor Stores GP Inc., the administrator of Liquor Stores Income Fund, at Suite 300, 10508 – 82nd Avenue, Edmonton, Alberta, T6E 2A4, Telephone (780) 917-4179, and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the secretary of Liquor Stores GP Inc., the administrator of Liquor Stores Income Fund at the above-mentioned address and telephone number and is also available electronically at www.sedar.com.

New Issue

December 14, 2007

SHORT FORM PROSPECTUS



\$50,000,000

6.75% Convertible Unsecured Subordinated Debentures

This prospectus qualifies for distribution 50,000 6.75% convertible unsecured subordinated debentures (the "Debentures") of Liquor Stores Income Fund (the "Fund"). The Debentures have a maturity date of December 31, 2012 (the "Maturity Date"). The Debentures bear interest at an annual rate of 6.75% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2008, including accrued interest. The Debentures are redeemable by the Fund at a price of \$1,000 per Debenture from January 1, 2011 to December 31, 2011 (provided that the "current market price" (as defined herein) of the trust units of the Fund (the "Units") on the date on which the notice of redemption is given is not less than 125% of the Conversion Price (as defined below)) and at a price equal to \$1,000 per Debenture from January 1, 2012 and before maturity, in each case, plus accrued and unpaid interest thereon, if any. See "Details of the Offering".

Debenture Conversion Privilege

Each Debenture will be convertible into Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Fund for redemption of the Debentures, at a conversion price of \$28.50 per Unit (the "Conversion Price"), subject to adjustment in certain events. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the date of the last interest payment thereon to the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the three business days preceding June 30 and December 31 of each year, commencing June 30, 2008, as the registers of CIBC Mellon Trust Company, as debenture trustee (the "Debenture Trustee"), will be closed during such periods. See "Details of the Offering – Conversion Privilege".

Upon the maturity or redemption of the Debentures, the Fund may pay the outstanding principal of the Debentures in cash or may, at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of Units obtained by dividing the aggregate amount of principal of the Debentures which have matured or redeemed by 95% of the weighted average trading price of the Units on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

The outstanding Units of the Fund are listed and posted for trading on the TSX under the symbol "LIQ.UN". On December 3, 2007, the last trading day prior to the announcement of the offering (the "Offering"), the closing price of the Units on the TSX

was \$24.23 per Unit and on December 13, 2007, the closing price of the Units on the TSX was \$23.28 per Unit. The TSX has conditionally approved the listing of the Debentures and the Units issuable on the conversion of the Debentures. Listing is subject to the Fund fulfilling all of the listing requirements of the TSX on or before March 5, 2008.

Price: \$1,000 per Debenture

	Offering Price to the Public	Underwriters' Fee	Net Proceeds to the Fund ⁽¹⁾⁽²⁾
Per Debenture	\$1,000	\$40.00	\$960.00
Total.....	\$50,000,000	\$2,000,000	\$48,000,000

Notes:

- (1) Before deducting expenses of the Offering estimated at \$400,000 which will be paid from the general funds of the Fund.
- (2) The Fund has granted to the Underwriters (as defined below) an option (the "**Over-Allotment Option**") to purchase up to an additional 7,500 Debentures, representing up to 15% of the offering of Debentures, at a price of \$1,000 per Debenture (plus accrued interest from the initial closing of the Offering to the closing of the Over-Allotment Option) on the same terms and conditions as the Offering, exercisable in whole or in part from time to time, not later than the 30th day following the closing of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, Underwriters' fee and net proceeds to the Fund (before deducting expenses of the Offering) will be \$57,500,000, \$2,300,000 and \$55,200,000, respectively. This prospectus also qualifies for distribution both the grant of the Over-Allotment Option and the issuance of the additional Debentures pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution".

In the opinion of counsel to the Fund and counsel to the Underwriters, provided the Debentures and Units are listed on the TSX, the Debentures and the Units issuable on the conversion, redemption or maturity thereof will, at the date of issue, be qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered education savings plans ("**RESPs**") and deferred profit sharing plans ("**DPSPs**") (RRSPs, RRIFs, RESPs, and DPSPs being referred to collectively as "**Exempt Plans**") (other than, with respect to the Debentures, a trust governed by a DPSP to which contributions are made by the Fund). See "Eligibility For Investment".

The offering price of the Debentures offered hereunder was determined by negotiation between the Fund, and RBC Dominion Securities Inc., on its own behalf and on behalf of, Cormark Securities Inc., National Bank Financial Inc., Raymond James Ltd. and HSBC Securities (Canada) Inc. (collectively, the "**Underwriters**"). **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. See "Risk Factors".**

Underwriters' Position	Maximum Size or Number of Securities Held	Exercise Period	Exercise Price
Over-Allotment Option	7,500 Debentures	30 days following closing of the Offering	\$1,000 per Debenture

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters relating to the Offering on behalf of the Fund by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Fraser Milner Casgrain LLP.

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to take place on December 21, 2007 or such other date as may be agreed upon by the Underwriters and the Fund provided that such date is not later than December 31, 2007. Certificates for the aggregate principal amount of the Debentures will be issued in "book-entry only" form to CDS Clearing and Depositary Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the date of closing. No certificates evidencing the Debentures will be issued to subscribers, except in certain limited circumstances, and registration will be made in the depositary service of CDS. Subscribers for Debentures will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures is purchased.

Subject to applicable laws, the Underwriters may effect transactions which stabilize or maintain the market price for the Units or the Debentures at levels other than those which otherwise might prevail in the open market. See "Plan of Distribution".

RBC Dominion Securities Inc. and HSBC Securities (Canada) Inc. are, directly or indirectly, wholly owned subsidiaries of Canadian chartered banks that are lenders to the Fund and to which the Fund is currently indebted. Consequently, the Fund may be considered a "connected issuer" of these Underwriters within the meaning of applicable Canadian securities legislation. See "Relationship Between the Fund and Certain Underwriters" and "Use of Proceeds".

The after tax return from an investment in Units (including Units issuable on the conversion, redemption or maturity, as the case may be, of the Debentures) to holders of Units ("**Unitholders**") subject to Canadian federal income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which will be fully or partially taxable or may constitute non-taxable returns of capital which reduce the Unitholder's adjusted cost base in the Units for tax purposes). The composition for tax purposes of those distributions may change over time, thus affecting the after tax return to Unitholders.

The specified investment flow-through ("**SIFT**") legislation relating to trusts and partnerships, first announced on October 31, 2006, has been enacted (see "Certain Canadian Federal Income Tax Considerations – Specified Investment Flow-Through Legislation" and "Risk Factors – Specified Investment Flow-Through Legislation"). The SIFT legislation will impose a tax on certain income earned by a SIFT trust, as well as taxing the taxable distributions received by investors from such entities as dividends. The SIFT legislation does not change the tax treatment of distributions that are paid as a return of capital by SIFT trusts. The SIFT legislation will apply to the Fund beginning with its 2011 taxation year, or earlier if the Fund exceeds "normal growth" as defined by guidelines issued by the Department of Finance.

A return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in the Fund is at risk, and the anticipated return on such investment is based on many performance assumptions. Although the Fund intends to make distributions of its available cash to Unitholders, these cash distributions are not guaranteed and may be reduced or suspended. The ability of the Fund to make cash distributions and the actual amount distributed will depend on numerous factors disclosed in the Fund's continuous disclosure documents, including the financial performance of the subsidiaries of the Fund, debt obligations, working capital requirements, future capital requirements and the application of the SIFT legislation. The market value of the Units may decline if the Fund's cash distributions decline in the future, including as a result of the application of the SIFT legislation, which legislation could apply to the Fund and its Unitholders before 2011, and that decline may be significant.

It is important for a person making an investment in the Debentures or Units issuable on the conversion, redemption or maturity, as the case may be, of the Debentures to consider the particular risk factors that may affect both the Fund and the industry in which the Fund, through its subsidiaries, operates and that may therefore affect the stability of the cash distributions on the Units. See the risks described in the Fund's annual information form and management's discussion and analysis that are incorporated by reference herein, which describe the Fund's assessment of those risk factors, as well as the potential consequences to a holder if a risk should occur. See also "Risk Factors".

The Fund is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on, or intend to carry on, the business of a trust company. Neither the Debentures nor the Units are "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation.

The head office of the Fund and Liquor Stores GP Inc. ("**LSGP**"), the administrator of the Fund, is located at Suite 300, 10508 – 82 Avenue, Edmonton, Alberta, T6E 2A4. The registered office of LSGP is located at Suite 2500, 10303 Jasper Avenue, Edmonton, Alberta, T5J 3N6.

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FORWARD LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical fact contained in this prospectus and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Fund or the Partnerships. Prospective investors can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of distributions by the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this prospectus. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: risks relating to government regulation; competition; the Partnerships' ability to locate and secure acceptable store sites and to adapt to changing market conditions; risks relating to future acquisitions and development of new stores; failure to successfully integrate acquisitions; dependence on key personnel; labour costs, shortages and relations; supply interruption; reliance on information and control systems; dependence on capital markets to fund the Partnerships' growth strategy beyond its available credit facilities; dependence of the Fund on the Partnerships; leverage and restrictive covenants in agreements relating to current and future indebtedness of the Partnerships; restrictions on the potential growth of the Partnerships as a consequence of the payment by the Partnerships of a substantial amount of their operating cash flow to the Fund; income tax related risks, including the risk of changes in the tax treatment of income trusts; and the LS Vendors' right to approve certain material transactions.

The information contained in this prospectus and the documents incorporated by reference herein, including the information set forth under "Risk Factors", identifies additional factors that could affect the operating results and performance of the Fund and the Partnerships.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These factors should not be construed as exhaustive. The Fund undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

NON-GAAP MEASURES

Certain documents incorporated by reference herein make reference to certain financial measures that are not recognized by generally accepted accounting principles in Canada ("**GAAP**") to assist in assessing the Fund's financial performance. Non-GAAP financial measures do not have standard meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

For information regarding the non GAAP financial measures used by the Fund, see: "Distributable Cash", "Operating Margin" and "Non-GAAP Measures" in the Fund's management's discussion and analysis relating to the unaudited comparative financial statements of the Fund as at and for the three and nine months ended September 30, 2007, which is incorporated by reference herein. See "Documents Incorporated by Reference".

GENERAL DISCLOSURE MATTERS

Prospective investors should rely only on information contained or incorporated by reference in this prospectus. Neither the Fund nor the Underwriters have authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the investor should not rely on such information. The information contained on the Fund's website is not intended to be included in or incorporated by reference into this prospectus and prospective purchasers should not rely on such information when deciding whether or not to invest in the Debentures. Neither the Fund nor the Underwriters are making an offer to sell in any jurisdiction where the offer or sale is not permitted.

Unless the context otherwise requires, any references in this prospectus to the "Fund" refer to Liquor Stores Income Fund and its consolidated subsidiaries (including, without limitation, Liquor Stores LP and Liquor Barn LP).

Unless otherwise indicated or the context otherwise requires, all dollar amounts in this prospectus are in Canadian dollars.

GLOSSARY OF TERMS

In this prospectus the following words and phrases have the following meanings unless the context otherwise requires:

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder.

"**Credit Facility**" means the credit facility dated November 2, 2007 entered into by the Partnerships with a syndicate of Canadian chartered banks. See "Credit Facility".

"**Debentures**" means the 6.75% convertible unsecured subordinated debentures offered pursuant to this prospectus.

"**Declaration of Trust**" means the amended and restated declaration of trust dated August 10, 2004 pursuant to which the Fund was established, as the same may be amended, supplemented or restated from time to time.

"**Debenture Trustee**" means CIBC Mellon Trust Company.

"**Exchangeable LBLP Units**" means the exchangeable units of Liquor Barn LP held by the LB Vendors.

"**Exchangeable LSLP Units**" means the exchangeable units of Liquor Stores LP held by the LS Vendors.

"**Exchangeable Securities**" means any securities that are exchangeable, directly or indirectly, for Units.

"**Fund**" means Liquor Stores Income Fund, a trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust.

"**Fund's AIF**" means the Fund's Annual Information Form dated March 31, 2007.

"**GPs**" means, collectively, LSGP and LBGP.

"**LB Vendors**" means the holders of the Exchangeable LBLP Units.

"**LBGP**" means Liquor Barn GP Inc., a corporation incorporated under the laws of the Province of Alberta.

"**LBGP Common Shares**" means the common shares in the capital of LBGP.

"**LBLP Units**" means, collectively, the Ordinary LBLP Units and the Exchangeable LBLP Units.

"**LBOT**" means Liquor Barn Operating Trust, a trust established under the laws of the Province of Alberta.

"**LBOT Notes**" means promissory notes of LBOT issued under a note indenture made between LBOT and Valiant Trust Company.

"**LBOT Units**" means the trust units of LBOT.

"**Liquor Barn LP**" means Liquor Barn Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**Liquor Stores LP**" means Liquor Stores Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**LS Vendors**" means, collectively, The Liquor Depot Corporation, Liquor World Group Inc. and certain associated or managed entities.

"**LSGP**" means Liquor Stores GP Inc., a corporation incorporated under the CBCA.

"**LSGP Common Shares**" means the common shares in the capital of LSGP.

"**LSLP Units**" means, collectively, the Ordinary LSLP Units, the Exchangeable LSLP Units and the Subordinated LSLP Units.

"**LSOT**" means Liquor Stores Operating Trust, a trust established under the laws of the Province of Alberta.

"**LSOT Notes**" means promissory notes of LSOT issued under a note indenture made between LSOT and CIBC Mellon Trust Company.

"**LSOT Units**" means the trust units of LSOT.

"**non-resident**" means a non-resident of Canada within the meaning of the Tax Act.

"**Offering**" means the offering of Debentures pursuant to this prospectus.

"**Operating Trusts**" means, collectively LSOT and LBOT.

"**Operating Trust Notes**" means, collectively, the LSOT Notes and the LBOT Notes.

"**Operating Trust Units**" means, collectively, the LBOT Units and the LSOT Units.

"**Ordinary LBLP Units**" means the ordinary limited partnership units of Liquor Barn LP.

"**Ordinary LSLP Units**" means the ordinary limited partnership units of Liquor Stores LP.

"**Over-Allotment Option**" means the option granted to the Underwriters to purchase up to an additional 7,500 Debentures, representing up to 15% of the offering of Debentures, at a price of \$1,000 per Debenture (plus accrued interest from the initial closing of the Offering to the closing of the Over-Allotment Option) on the same terms and conditions as the Offering, exercisable in whole or in part from time to time, not later than the 30th day following the closing of the Offering to cover over-allotments, if any, and for market stabilization purposes.

"**Partnerships**" means, collectively, Liquor Stores LP and Liquor Barn LP.

"**Special Voting Units**" means the special voting units of the Fund, issued to or for the benefit of holders of Exchangeable Securities and certified under the Declaration of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein.

"**Subordinated LSLP Units**" means the subordinated exchangeable units of Liquor Stores LP held by the LS Vendors.

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp), as amended, including the regulations promulgated thereunder.

"**Trustees**" mean the trustees of the Fund from time to time.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, RBC Dominion Securities Inc., Cormark Securities Inc., National Bank Financial Inc., Raymond James Ltd. and HSBC Securities (Canada) Inc.

"**Underwriting Agreement**" means the agreement dated December 6, 2007 between the Fund and the Underwriters in respect of the Offering.

"**Unit**" means a trust unit of the Fund other than a Special Voting Unit.

"**Unitholders**" means the holders of Units from time to time.

"Voting Units" means the Units and the Special Voting Units.

"Voting Unitholders" means the Unitholders and the holders of Special Voting Units.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Fund, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this prospectus:

- (a) the Fund's AIF;
- (b) the audited comparative financial statements of the Fund as at and for the year ended December 31, 2006, together with the notes thereto, the auditors' report thereon, and management's discussion and analysis relating thereto;
- (c) the unaudited comparative financial statements of the Fund as at and for the three and nine months ended September 30, 2007, together with the notes thereto, and management's discussion and analysis relating thereto;
- (d) the Fund's information circular dated April 11, 2007 relating to the annual meeting of Unitholders held on May 15, 2007;
- (e) the Fund's material change report dated April 20, 2007 relating to the Fund's offer (the "**Offer**") dated April 10, 2007 to acquire all of the outstanding trust units of Liquor Barn Income Fund ("**Liquor Barn Fund**");
- (f) the Fund's material change report dated June 4, 2007 relating to the entering into of a support agreement with Liquor Barn Fund in respect of a revised Offer on May 25, 2007;
- (g) the Fund's material change report dated June 18, 2007 relating to the successful completion of the revised Offer on June 8, 2007; and
- (h) the Fund's business acquisition report dated June 29, 2007 relating to the acquisition of all of the issued and outstanding trust units of Liquor Barn Fund on June 8, 2007.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations and information circulars filed by the Fund with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

LIQUOR STORES INCOME FUND

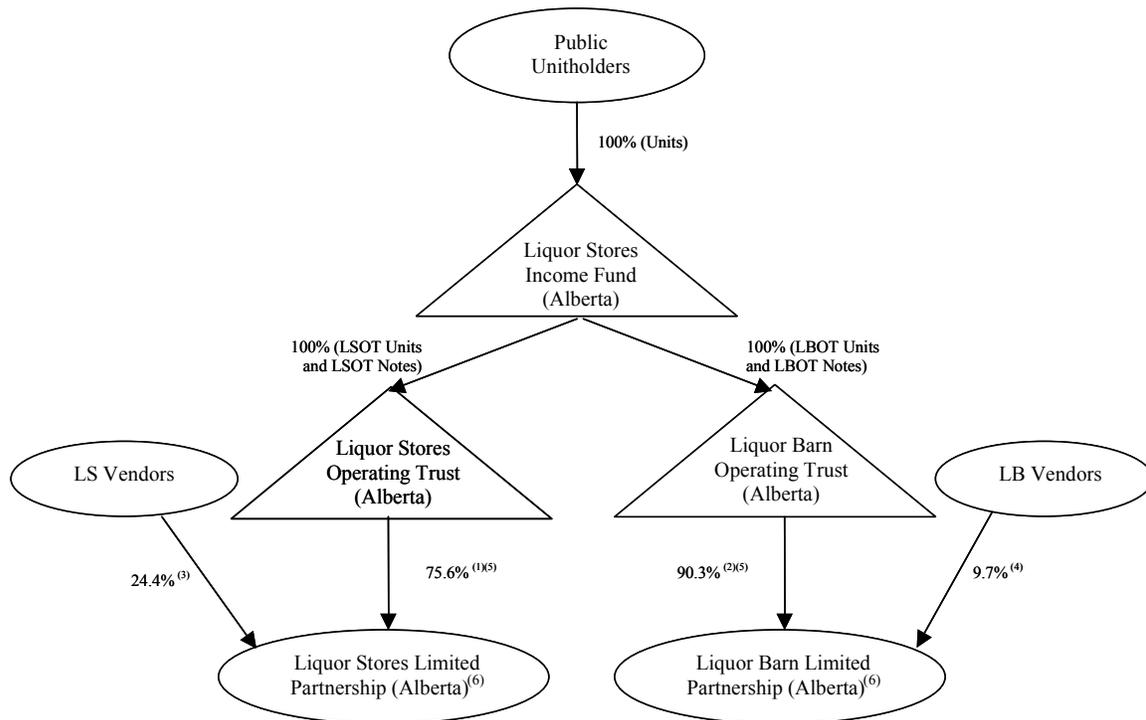
The Fund is an unincorporated open-ended trust established under the laws of the Province of Alberta by the Declaration of Trust. The Fund holds indirectly through the Operating Trusts, a 75.6% interest in Liquor Stores LP and a 90.3% interest in Liquor Barn LP. The Fund receives, indirectly through the Operating Trusts, distributions of distributable cash of the Partnerships.

The Operating Trusts are unincorporated trusts established under the laws of the Province of Alberta.

The Partnerships are limited partnerships formed under the laws of the Province of Alberta. LSGP, a corporation incorporated under the CBCA, is the general partner of Liquor Stores LP. LBGP, a corporation incorporated under the laws of the Province of Alberta, is the general partner of Liquor Barn LP.

The principal and head office of each of the Fund, the Operating Trusts, the GPs and the Partnerships is located at Suite 300, 10508 – 82 Avenue, Edmonton, Alberta, T6E 2A4. The registered office of the GPs is located at Suite 2500, 10303 Jasper Avenue, Edmonton, Alberta, T5J 3N6.

The following chart illustrates the simplified structure of the Fund as at the date hereof.



Notes:

- (1) Ordinary LSLP Units representing 75.6% of the LSLP Units.
- (2) Ordinary LBLP Units representing 90.3% of the LBLP Units.
- (3) Exchangeable LSLP Units and Subordinated LSLP Units representing, collectively, 24.4% of the LSLP Units.
- (4) Exchangeable LBLP Units representing, collectively, 9.7% of the LBLP Units.
- (5) Liquor Stores GP (the shares of which are held by LSOT as to 75.6% and by the LS Vendors as to 24.4%) holds all of the outstanding Liquor Store GP Units and Liquor Barn GP (all of the shares of which are held by the Fund) holds all of the outstanding Liquor Barn GP Units.
- (6) Liquor Stores LP and Liquor Barn LP currently collectively operate 195 retail liquor stores and two pubs.

SUMMARY DESCRIPTION OF THE BUSINESS

The Partnerships, collectively, are the largest liquor store retailer in Alberta by number of stores and, in management's belief, by revenue. The Partnerships currently operate 195 stores, 164 of which are located in Alberta and 31 of which are located in British Columbia. Liquor Stores LP also operates two pubs in British Columbia. Predecessors of the Partnerships have been in the retail liquor store business since privatization of the Alberta retail liquor distribution system in 1993.

RECENT DEVELOPMENTS

Increase in Cash Distributions

On November 8, 2007, the Fund announced that effective with its distribution to be paid on January 15, 2008, to Unitholders of record on December 31, 2007, the Fund will increase its monthly distribution level to \$0.135 per Unit (\$1.62 per Unit annualized) from \$0.125 per Unit (\$1.50 per Unit annualized). This is the fifth increase in distributions since the completion of the Fund's initial public offering on September 28, 2004 at which time the Fund's monthly distribution level was set at \$0.0833 per Unit (\$1.00 per Unit annualized).

CAPITALIZATION

There have been no material changes in the unit capitalization or in the indebtedness of the Fund since September 30, 2007, except that total bank indebtedness has increased from approximately \$54.7 million at September 30, 2007 to approximately \$76.3 million at December 4, 2007. Net of cash on hand, bank indebtedness increased from approximately \$52.2 million at September 30, 2007 to approximately \$75.5 million at December 4, 2007. The Fund intends to indirectly use a portion of the net proceeds of the Offering to temporarily repay a portion of such bank indebtedness. After giving effect to the Offering, the Fund anticipates an increase in indebtedness related to the Debentures of \$50 million (\$57.5 million if the Over-Allotment Option is exercised in full) and a corresponding reduction in total bank indebtedness as at December 4, 2007, to \$25.5 (\$18.0 if the Over-Allotment Option is exercised in full). See "Use of Proceeds" and "Credit Facility".

CREDIT FACILITY

Pursuant to the Credit Facility, the Partnerships have available the following committed revolving credit facilities: a \$90 million facility for general working capital purposes (the "**Operating Facility**"); a \$30 million facility for capital assets and acquisitions (the "**Capital/Acquisition Facility**"); a \$4.0 million facility for issuance of letters of credit and letters of guarantee for operations (the "**BG Facility**"); and a \$3.5 million demand non-revolving loan to cover payroll and other electronic funds transfer payments (the "**EFT Facility**"). The Credit facility is secured by a first security interest in all present and after acquired personal property of Liquor Stores LP and Liquor Barn LP. Interest on the Operating Facility is payable at the lender's prime rate or the banker's acceptance discount rate plus a stamping fee of 1.50% per annum, interest on the Capital/Acquisition Facility is payable at the lender's prime rate plus 0.25% per annum or the banker's acceptance discount rate plus a stamping fee of 1.75% per annum and interest on the EFT Facility is payable at the lender's prime rate plus 0.75% per annum. The Credit Facility includes limits on incurring additional indebtedness or granting encumbrances without the consent of the lender and other customary restrictive covenants. Under the Credit Facility, the Partnerships must maintain: (i) a ratio of adjusted debt to earnings before interest, taxes, depreciation and amortization, plus rent, of less than 5.0 to 1.0; (ii) a ratio of current assets to current liabilities of not less than 1.1 to 1.0; and (iii) a fixed coverage ratio of not less than 0.9 to 1.0 up to June 30, 2008 and 1.0 to 1.0 thereafter. Failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness or restrict the ability of the Partnerships to pay distributions to the holders of Liquor Stores LP Units and Liquor Barn LP Units. The Partnerships are presently in compliance with such covenants and ratios. At December 4, 2007, the aggregate outstanding under the Credit Facility was approximately \$76.3 million. The Fund intends to indirectly use a portion of the net proceeds of the Offering to temporarily repay a portion of the indebtedness to the Banks under the Credit Facility. See "Use of Proceeds".

PRICE RANGE AND TRADING VOLUME OF THE UNITS

The outstanding Units are traded on the TSX under the trading symbol "LIQ.UN". The following table sets forth the closing price range and trading volume of the Units as reported by the TSX for the periods indicated.

<u>Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
<u>2004</u>			
Fourth Quarter (from September 28).....	14.79	11.96	6,055,573
<u>2005</u>			
First Quarter	16.92	14.31	1,512,517
Second Quarter	19.50	16.55	1,321,100
Third Quarter.....	19.40	17.45	1,669,312
Fourth Quarter.....	18.70	15.00	1,735,051
<u>2006</u>			
First Quarter	20.95	17.21	2,028,891
Second Quarter.....	20.00	18.50	1,152,165
Third Quarter.....	23.00	18.75	1,298,903
Fourth Quarter.....	22.38	16.00	3,134,334
<u>2007</u>			
January	19.45	19.19	558,709
February	20.34	18.14	770,597
March	22.18	19.73	846,199
April	21.80	20.20	1,497,869
May	22.25	20.19	1,261,523
June	21.78	20.02	2,837,871
July	21.15	19.80	1,994,175
August	20.51	19.24	1,185,605
September.....	21.50	20.64	820,616
October.....	22.79	21.25	903,075
November.....	23.68	23.00	1,000,435
December (to December 13)	24.23	23.09	419,833

The closing price of the Units on the TSX on December 3, 2007, the last closing price prior to the announcement of the Offering, was \$24.23, and on December 13, 2007, the closing price of the Units on the TSX was \$23.28.

DISTRIBUTIONS TO UNITHOLDERS

The Fund makes monthly distributions of its available cash to Unitholders to the extent determined prudent by the Trustees. Monthly distributions are paid to Unitholders of record on the last business day of each calendar month or such other date as may be determined from time to time by the Trustees and are paid generally on the 15th day of the following month. The Fund's monthly distributions are currently \$0.125 per Unit (\$1.50 per Unit annualized).

For the year ended December 31, 2006 and for the nine months ended September 30, 2007, distributions declared exceeded cash flow from operating activities by \$5,814,949 and \$5,086,000, respectively. The distributions that exceeded cash flow from operating activities were funded by short term bank borrowings as well as, for the year ended December 31, 2006, cash on hand.

The Fund's working capital is influenced by (i) seasonal trends, (ii) the opportunity to realize holding gains by investing in inventory at favourable prices, (iii) the need to purchase inventory for stores developed by the Fund, and (iv) expenditures made to increase inventory levels in acquired stores. The payment terms for the Fund's major vendors require that inventory be paid for prior to delivery. As a consequence, management of the Fund believes that cash provided by operating activities before net changes in non-cash working capital items is a more appropriate measure of the Fund's long-term ability to make sustainable

cash distributions than cash flow from operating activities. For the year ended December 31, 2006 and for the nine months ended September 30, 2007, cash provided by operating activities before net changes in non-cash working capital exceeded distributions declared.

The following table sets forth the amount of annual cash distributions paid per Unit by the Fund since inception.

Year	Distribution per Unit
2004.....	\$0.1749 ⁽¹⁾
2005.....	\$1.0436
2006.....	\$1.2230
2007.....	\$1.4751 ⁽²⁾

Notes:

- (1) The Fund completed its initial public offering on September 28, 2004.
- (2) Includes the distribution of \$0.125 per Unit for the month of November 2007, which has been declared and will be paid on December 14, 2007.

DESCRIPTION OF UNITS

Units and Special Voting Units

The beneficial interests in the Fund are divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or winding-up of the Fund. The Units are not subject to future calls or assessments and entitle the holder thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as described under "Redemption Right" at pages 18 through 20 of the Fund's AIF, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in the net assets of the Fund in the event of a termination or winding-up of the Fund. Special Voting Units may, however, be redeemed by the holder at any time for nominal consideration.

Special Voting Units may be issued in series and will only be issued in connection with or in relation to Exchangeable LSLP Units, Subordinated LSLP Units and, if the Trustees so determine, other securities exchangeable, directly or indirectly, for Units (collectively, "**Exchangeable Securities**"), in each case for the purpose of providing voting rights with respect to the Fund to the holders of Exchangeable Securities. Special Voting Units are issued in conjunction with, and are attached to, the Exchangeable LSLP Units, Subordinated LSLP Units and Exchangeable LBLP Units (or other Exchangeable Securities) to which they relate, and are evidenced only by the certificates representing such Exchangeable Securities. Special Voting Units are not transferable separately from the Exchangeable Securities to which they are attached. Each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Exchangeable LSLP Unit, Subordinated LSLP Unit, Exchangeable LBLP Unit or other Exchangeable Security to which it is attached. Upon the exchange or conversion of an Exchangeable Security for Units, the Special Voting Unit that is attached to such Exchangeable Security will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of Voting Unitholders.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote.

Issuance of Units

The Fund may issue Units or rights to acquire Units at those times, to those persons, for that consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan or any incentive option or other

compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distributions of the Fund to Unitholders on a pro rata basis. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and, accordingly, the consolidation will not result in such non-resident Unitholder holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing their post-consolidation Units.

Additional Information

For additional information respecting the Units, including information respecting redemption rights, limitations on non-resident ownership, compulsory acquisition rights in the event of a successful take-over bid, actions that may be taken in connection with regulatory compliance, meetings and voting see "Liquor Stores Income Fund" at pages 16 through 27, inclusive, of the Funds' AIF. A copy of the Declaration of Trust is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which may be accessed at www.sedar.com.

INTEREST COVERAGE

The following interest coverages are calculated on a consolidated basis for the twelve month periods ended December 31, 2006 and September 30, 2007 and are derived from audited financial information in the case of December 31, 2006 and unaudited financial information in the case of September 30, 2007. Interest expense is calculated on a pro forma basis and includes interest expense on the Debentures.

The interest expense of the Fund for the twelve-month periods ended December 31, 2006 and September 30, 2007 was \$1.1 million and \$1.2 million, respectively. The income of the Fund before interest and income tax expense for the twelve-month periods ended December 31, 2006 and September 30, 2007 was \$12.6 million and \$19.4 million, respectively, for an interest coverage ratio of 11.4 times and 15.7 times, respectively. The dollar amount of the excess coverage for the twelve-month periods ended December 31, 2006 and September 30, 2007 was \$11.5 million and \$18.2 million, respectively.

The interest expense of the Fund for the twelve-month periods ended December 31, 2006 and September 30, 2007 was \$4.4 million and \$4.7 million, respectively, after giving effect to the issuance of the Debentures (excluding Debentures issuable upon exercise of the Over-Allotment Option). The income of the Fund before interest and income tax expense for the twelve-month periods ended December 31, 2006 and September 30, 2007, after giving effect to the issuance of the Debentures (excluding Debentures issuable upon exercise of the Over-Allotment Option), was \$12.6 million and \$19.4 million, respectively, for an interest coverage ratio of 2.9 times and 4.1 times, respectively.

These interest coverage ratios reflect historical earnings. Under generally accepted accounting principles, the Debentures are and will be classified as a liability with a portion allocated to equity related to the conversion feature and with the related interest expensed as incurred and financing charges amortized under the effective interest method. The entire amount of the annual carrying charges for the Debentures (excluding Debentures issuable upon exercise of the Over-Allotment Option) is reflected in interest expense.

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Debentures and is subject to, and qualified in its entirety by, reference to the terms of the debenture indenture to be dated as of the closing date of the Offering between the Fund and the Debenture Trustee governing the terms of the Debentures (the "**Debenture Indenture**") referred to below, a copy of which will be filed on SEDAR at www.sedar.com following closing of the Offering.

General

The Debentures will be issued under the Debenture Indenture. The Debentures authorized for issue immediately will be limited in aggregate principal amount to \$57,500,000. The Fund may, however, from time to time, issue additional debentures of the same series or of a different series under the Debenture Indenture, in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof.

The Debentures will be dated as of the closing date of the Offering and will have a Maturity Date of December 31, 2012.

The Debentures will bear interest from the date of issue at 6.75% per annum which will be payable, subject to any applicable withholding tax, semi-annually in arrears on June 30 and December 31 in each year, commencing June 30, 2008. The first interest payment will include interest accrued from the closing of the Offering to, but excluding, June 30, 2008.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, by payment of Units as further described under "Payment upon Redemption or Maturity" and "Redemption and Purchase". The interest on the Debentures will be payable in lawful money of Canada including, at the option of the Fund and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under "Interest Payment Option".

The Debentures will be direct obligations of the Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Fund as described under "Subordination". The Debenture Indenture will not restrict the Fund from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid, non-assessable and freely tradeable Units at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Fund for redemption of the Debentures, at the Conversion Price of \$28.50 per Unit, being a conversion rate of 35.0877 Units for each \$1,000 principal amount of Debentures. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures will receive accrued and unpaid interest thereon. Notwithstanding the foregoing, no Debentures may be converted during the three business days preceding June 30 and December 31 of each year, commencing June 30, 2008, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) subject to (d) below, the distribution of Units to holders of Units by way of distribution or otherwise other than an issue of securities to holders of Units who have elected to receive distributions in securities of the Fund in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then current market price (as defined below under "Payment upon Redemption or Maturity") of the Units; and (d) the distribution to all holders of Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units, or in the case of any consolidation, amalgamation, arrangement or merger of the Fund with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Fund as, or substantially as, an entirety to any other entity, or a liquidation, dissolution, winding-up or similar transaction of the Fund, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution, winding-up or similar transaction, be entitled to receive the number of Units or other securities or property such holder would be entitled to receive if, on the effective date

thereof, it had been the holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution, winding-up or similar transaction.

No fractional Units will be issued on any conversion but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

Redemption and Purchase

The Debentures will not be redeemable on or before December 31, 2010, except in certain limited circumstances as set forth in the Debenture Indenture. The Debentures may be redeemed from January 1, 2011 to December 31, 2011, but only if the current market price of the Units on the date on which the notice of redemption is given pursuant to the Debenture Indenture is not less than 125% of the Conversion Price, and may be redeemed from January 1, 2012 and before maturity, in each case at a redemption price of \$1,000 per Debenture (in each case, a "**Redemption Price**") plus accrued and unpaid interest thereon, if any, in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX, if applicable. The Fund will have the right to purchase Debentures in the market, by tender or by private contract at any time subject to regulatory requirements.

Payment upon Redemption or Maturity

On redemption or at maturity, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. The Fund may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which have matured, as the case may be, by issuing freely tradeable Units to the holders of such Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the current market price on the date fixed for redemption or the maturity date, as the case may be. No fractional Units will be issued on redemption or maturity but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the current market price of any fractional interest.

The term "**current market price**" will be defined in the Debenture Indenture to mean the volume weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day prior to the date of determination. The volume weighted average trading price will be determined by dividing the aggregate sale price of all Units sold on the TSX during the 20 consecutive trading days by the total number of Units so sold.

Subordination

The payment of the principal of, premium (if any) and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the prior payment in full of all Senior Indebtedness of the Fund including indebtedness to trade and other creditors of the Fund. "**Senior Indebtedness**" of the Fund will be defined in the Debenture Indenture to mean, in effect, the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of the Fund (whether outstanding as at the date of the Debenture Indenture or thereafter created, incurred, assumed or guaranteed), other than (i) indebtedness evidenced by the Debentures, and (ii) all other existing and future debentures or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

The Debenture Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or

bankruptcy, or any marshalling of the assets and liabilities of the Fund, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Debenture Indenture will also provide that the Fund will not make any payment, and the holders of the Debentures will not be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when a default has occurred under the Senior Indebtedness and is continuing and notice of such default has been given by or on behalf of the holders of Senior Indebtedness to the Fund, unless the Senior Indebtedness has been repaid in full.

The Debentures will also be effectively subordinate to claims of creditors of the Fund's subsidiaries except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. In particular, the Debentures will be effectively subordinate in right of payment to the prior payment in full of all credit facilities and other debt obligations of Liquor Store LP and Liquor Barn LP and other subsidiaries of the Fund.

Priority over Fund Distributions

The Declaration of Trust provides that certain expenses of the Fund must be deducted in calculating the amount to be distributed to the Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Change of Control of the Fund

Within 30 days following the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66 2/3% or more of the outstanding Voting Units by any person or group of persons acting jointly or in concert, other than pursuant to any transaction undertaken as a consequence of the SIFT legislation in which a new parent entity is established, created, or adopted for, or in replacement of, the Fund and there is no change in the ultimate ownership of the business of the Fund (a "**Change of Control**"), the Fund will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest (the "**Debenture Offer Price**").

The Debenture Indenture contains notification and repurchase provisions requiring the Fund to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Fund pursuant to the Debenture Offer, the Fund will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Fund to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

Interest Payment Option

The Fund may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay all or any part of the interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Debenture Indenture (an "**Interest Payment Date**"), by delivering sufficient Units to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Debenture Indenture (the "**Unit Interest Payment Election**"). The Debenture Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery from the Fund of Units, (b) accept bids with respect to, and consummate sales of, such Units, each as the Fund shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted Government Obligations (as defined in the Debenture Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted Government Obligations, together with any proceeds from the sale of Units not invested as aforesaid, to satisfy the Interest Obligation, (d) deliver proceeds

to holders of Debentures sufficient to satisfy the Interest Obligation and (e) perform any other action necessarily incidental thereto.

The Debenture Indenture will set forth the procedures to be followed by the Fund and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Fund attributable to any fractional Units) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Fund in respect of the Interest Obligation.

Neither the Fund's making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The Debenture Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (a) failure for 10 days to pay interest on such Debentures when due; (b) failure to pay principal of such Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (c) default in the observance or performance of any material covenant or condition of the Debenture Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Fund specifying such default and requiring the Fund to rectify the same; or (d) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of the Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Debentures then outstanding may, on behalf of the holders of all such Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Debenture Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for such Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of such Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all Debenture holders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

Non-Resident Holders of Debentures

At no time may non-residents of Canada be the beneficial owners of 49% of the Units, on a fully diluted basis, including any Units that may be issued upon conversion, redemption or maturity of the Debentures. The Debenture Trustee may require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Fund becomes aware that the beneficial owners of 49% or more of the Units then outstanding, on a fully diluted basis, are, or may be, non-residents or that such a situation is imminent, the Fund shall make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not register a transfer of Debentures to a person unless the person provides a declaration that the

person is not a non-resident. If, notwithstanding the foregoing, the Fund determines that more than 49% of the Units, on a fully diluted basis, are held by non-residents, the Fund shall send a notice to non-resident holders of Debentures and Units, chosen in inverse order to the order of acquisition or registration of the Debentures or Units or in such manner as the Fund may consider equitable and practicable, requiring them to sell their Debentures or Units or a portion thereof within a specified period of not less than 60 days. If the holders of Debentures receiving such notice have not sold the specified number of such Debentures or provided the Fund with satisfactory evidence that such Debentures are not beneficially owned by non-residents within such period, the Fund may, on behalf of such registered holder of Debentures, sell such Debentures and, in the interim, shall suspend the rights attached to such Debentures. Upon such sale the affected holders shall cease to be holders of Debentures, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such Debentures. The Trustees have similar obligations in respect of the Units.

Book-Entry System for Debentures

The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS (a "**Participant**"). On the closing date of the Offering, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Fund nor the Underwriters or the Debenture Trustee will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Fund to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security. The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) the Fund or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Fund is unable to locate a qualified successor; (d) the Fund, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as defined herein) under the Debenture Indenture, provided that Participants acting on behalf of Beneficial Owners representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, and provided further that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify the Beneficial Owners, through CDS, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Fund will recognize the holders of such Debenture Certificates as Debenture holders under the Debenture Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Fund and sent by prepaid mail to the registered holder by the Debenture Trustee or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS by the Debenture Trustee while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal,

including payment in the form of Units, if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Debenture Indenture.

USE OF PROCEEDS

The net proceeds to the Fund from the sale of the Debentures hereunder are estimated to be \$47,600,000 after deducting the fees of \$2,000,000 payable to the Underwriters and the expenses of the Offering estimated to be \$400,000. If the Over-Allotment Option is exercised in full, the net proceeds to the Fund from the sale of the Debentures hereunder are estimated to be \$54,800,000 after deducting the fees of \$2,300,000 payable to the Underwriters and the expenses of the Offering estimated to be \$400,000. The net proceeds of the Offering will be used by the Fund indirectly to temporarily reduce the indebtedness outstanding under the Credit Facility, which will be redrawn to fund new store acquisition and development and for general corporate purposes. The majority of the outstanding indebtedness under the Credit Facility was incurred to provide working capital. See also, "Capitalization", "Credit Facility" and "Relationship Between the Fund and Certain Underwriters".

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Fund has agreed to sell and the Underwriters have severally agreed to purchase on December 21, 2007, or such other date as may be agreed upon by the Fund and the Underwriters subject to the terms and conditions contained therein, \$50,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture for aggregate gross proceeds of \$50,000,000. In connection with the Offering, the Fund has agreed to pay the Underwriters a fee of \$40.00 per Debenture issued by the Fund for an aggregate consideration of \$2,000,000.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. Subject to certain exceptions contained in the Underwriting Agreement, if an Underwriter fails to purchase the Debentures which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Debentures. The Underwriters are, however, obligated to take up and pay for all the Debentures if any are purchased under the Underwriting Agreement. The Fund has agreed to indemnify the Underwriters in certain circumstances. The offering price for the Debentures was determined by negotiation between the Fund and RBC Dominion Securities Inc., on its own behalf and on behalf of the Underwriters.

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about December 21, 2007 or such other date as the Fund and the Underwriters may agree, but in any event, not later than December 31, 2007.

In addition, the Fund has granted to the Underwriters the Over-Allotment Option to purchase up to an additional 7,500 Debentures, representing up to 15% of the offering of Debentures, at a price of \$1,000 per Debenture (plus accrued interest from the initial closing of the Offering to the closing of the Over-Allotment Option) on the same terms and conditions as the offering of the Debentures, exercisable in whole or in part from time to time, not later than the 30th day following the closing of the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, Underwriters' fee and net proceeds to the Fund (before deducting expenses of the Offering) will be \$57,500,000, \$2,300,000 and \$55,200,000, respectively. This prospectus also qualifies for distribution both the grant of the Over-Allotment Option and the issuance of the additional Debentures pursuant to the exercise of the Over-Allotment Option.

The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions that stabilize or maintain the market price of the Debentures or Units at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has agreed that, subject to certain stated exceptions set forth in the Underwriting Agreement, it will not, without the prior consent of RBC Dominion Securities Inc., which consent shall not be unreasonably withheld, authorize, issue or sell any Units or any securities giving the right to acquire Units, or agree or announce any intention to do so, at any time prior to the expiry of 90 days following the closing of the Offering. In addition, each of The Liquor Depot Corporation, Liquor World Group Inc. and Liquor Stop Group Inc has agreed that, subject to certain stated exceptions, it will not, for the period ending 90 days after the closing of the Offering, issue, offer, or sell, contract to sell or otherwise dispose of, directly or indirectly, any Units or any securities convertible into or exchangeable or exercisable for Units, or publicly disclose the intention to make any such

issue, offer, sale or disposition, without the prior consent of RBC Dominion Securities Inc., which consent may not be unreasonably withheld.

The TSX has conditionally approved the listing of the Debentures and the Units issuable on the conversion of the Debentures. Listing is subject to the Fund fulfilling all of the listing requirements of the TSX on or before March 5, 2008.

At the closing of this Offering, the Debentures will be available for delivery in book entry form only through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. Notwithstanding the foregoing, Debentures may be issued in fully registered and certificated form as provided under "Details of the Offering – Book Entry System for Debentures" and will be issued in fully registered and certificated form to subscribers for Debentures who are in the United States.

The Debentures offered hereby, and the Units issuable on conversion of the Debentures, have not been, and will not be, registered under the 1933 Act or the securities laws of any state of the United States, and may not be offered or sold within the United States.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN UNDERWRITERS

RBC Dominion Securities Inc. and HSBC Securities (Canada) Inc. are, directly or indirectly, wholly owned subsidiaries of Canadian chartered banks (the "**Banks**") that are lenders to the Fund and to which the Fund is currently indebted. Consequently, the Fund may be considered a "connected issuer" of these Underwriters within the meaning of applicable Canadian securities legislation. The Fund was indebted to the Banks in the aggregate amount of approximately \$76.3 million as at December 4, 2007 pursuant to the terms of the Credit Facility. The Fund is in compliance with the terms of the Credit Facility. Neither the financial position of the Fund nor the value of the security under the Credit Facility has changed substantially since the indebtedness under the Credit Facility was incurred. The Fund will indirectly use a portion of the net proceeds from the Offering to reduce the amount outstanding under the Credit Facility. See "Use of Proceeds".

The decision to distribute the Units and the determination of the terms of the Offering were made through negotiations between the Fund and the Underwriters. The Banks did not have any involvement in such decision or determination but have been advised of the Offering and the terms thereof. As a consequence of the Offering, RBC Dominion Securities Inc. and HSBC Securities (Canada) Inc. will receive their respective shares of the Underwriting fee payable by the Fund to the Underwriters.

INTEREST OF EXPERTS

Each of Burnet, Duckworth & Palmer LLP ("**BDP**"), Fraser Milner Casgrain LLP ("**FMC**") and PricewaterhouseCoopers LLP is named as having prepared or certified a statement, report or valuation in this prospectus, either directly or in a document incorporated by reference herein.

To the Fund's knowledge, no registered or beneficial interests, direct or indirect, in any property of the Fund or of one of its associates or affiliates: (i) were held by BDP, FMC or a "designated professional" (as such term is defined in Form 51-102F2 – Annual Information Form) of any such person, when such person prepared the statement, report or valuation in question; (ii) was received by BDP, FMC or a "designated professional" of any such person after such person prepared the statement, report or valuation in question; or (iii) is to be received by BDP or FMC.

To the knowledge of the Fund, the interest of each of BDP, FMC and each "designated professional" of such persons in the Units represents less than 1% of the outstanding Units.

PricewaterhouseCoopers LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

None of BDP, FMC, PricewaterhouseCoopers LLP or any "designated professional" of any such person (including any director, officer or employee of any such person) is or is expected to be elected, appointed or employed as a director, officer or employee of the Fund or of any associate or affiliate of the Fund.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Fund, and Fraser Milner Casgrain LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations generally applicable to purchasers of Debentures issued hereunder. This summary is only applicable to purchasers who, for the purposes of the Tax Act, at all material times are, or are deemed to be, resident in Canada, deal at arm's length, and are not affiliated, with the Fund and who will hold the Debentures and Units issued upon conversion, redemption or maturity of the Debentures as capital property. Debentures and Units will generally constitute capital property to a holder unless the holder holds the Debentures and Units in the course of carrying on a business or is engaged in an adventure or concern in the nature of trade with respect to the Debentures and Units. Certain holders, whose Debentures or Units might not otherwise be capital property, may, in certain circumstances, be entitled to have such securities and all other "Canadian securities", as defined in the Tax Act, owned by such holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders interested in making this election should consult their own tax advisers, having regard to their own particular circumstances.

This summary is not applicable to a purchaser: (i) that is a "financial institution", for purposes of the mark-to-market rules in the Tax Act; (ii) that is a "specified financial institution"; or (iii) an interest in which would be a "tax shelter investment", all as defined by the Tax Act. Any such purchasers should consult their own tax advisors with respect to an investment in the Debentures and the Units.

This summary is based on the facts set out in the prospectus, the current provisions of the Tax Act in force as of the date hereof, Counsels' understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "**Proposed Amendments**"). This summary assumes that the Proposed Amendments will be enacted in their current form. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and except for the Proposed Amendments does not take into account proposed or possible changes in law, whether by judicial or legislative action, or changes in the administrative policies and assessing practices of the CRA nor does it consider the income tax legislation of any province, territory or foreign jurisdiction.

This summary is of a general nature only and is not intended to be, and it should not be construed to be, legal or tax advice to any prospective purchaser of Debentures. The tax considerations applicable to a purchaser will depend on such purchaser's particular circumstances, including the legal characterization of the purchaser as an individual, corporation, trust or partnership and whether the purchaser is an Exempt Plan. Accordingly, prospective purchasers are urged to consult their own tax advisors regarding the income tax consequences associated with purchasing, holding and disposing of Debentures and Units, having regard to their own particular circumstances.

This summary does not address any Canadian federal income tax considerations applicable to a person who is not a resident of Canada for purposes of the Tax Act (a "**Non-Resident**"), and a Non-Resident should consult their own tax advisors regarding the tax consequences of acquiring and holding Debentures and Units issued upon the conversion, redemption or repayment of Debentures.

Status of the Fund

This summary assumes that the Fund qualifies as a "mutual fund trust" (as defined by the Tax Act) on the date hereof, and will continue to so qualify thereafter for the duration of its existence. Based on facts represented to Counsel in an officer's certificate, Counsel is of the view that such assumption is reasonable. This summary also assumes that the Fund is not established or maintained primarily for the benefit of non-residents. In the event the Fund does not qualify as a mutual fund trust, the income tax considerations to purchasers would in some respects be materially different from those described below.

Specified Investment Flow-Through Legislation

The SIFT legislation relating to trusts and partnerships, first announced on October 31, 2006, has been enacted and will significantly change the taxation of most publicly traded trusts and partnerships, including income trusts such as the Fund, and

distributions and allocations from these entities to their investors. No assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its Unitholders. The SIFT legislation applies an entity level tax on certain income (other than taxable dividends) earned by a SIFT trust, and treats the distributions of such income received by unitholders of a SIFT trust as taxable dividends received from a taxable Canadian corporation.

The Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT legislation commencing in 2011, subject to the comments below regarding "normal growth". It is assumed for the purposes of this summary that the Fund will be characterized as a SIFT trust.

On December 15, 2006, the Department of Finance issued the Normal Growth Guidelines (the "**Guidelines**"). The Guidelines indicate that the 2011 date will continue to apply in respect of any SIFT trust or partnership whose equity capital grows as a result of issuances of new equity (which includes trust units and debt that is convertible into trust units and may include other substitutes for such equity) before 2011, by an amount that does not exceed the greater of \$50 million annually and a "safe harbour" amount that is a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into SIFT units). For the period from November 1, 2006 to the end of 2007, the Guidelines provide that a SIFT's safe harbour will be 40% of the October 31, 2006 benchmark. Counsel has been advised that the aggregate of all offerings of Units and convertible debt, including the offering made pursuant to this prospectus, will not exceed the applicable limit of 40% equity growth for the period from November 1, 2006 to December 31, 2007 and thus should not cause the Fund to be subject to the SIFT legislation prior to 2011. It is therefore assumed, for the purposes of this summary, that the Fund will not be subject to the SIFT legislation until January 1, 2011. However, if the Fund issues additional Units, convertible debt or other equity substitutes on or before 2011, it may become subject to the SIFT legislation prior to 2011. **No assurance can be provided that the SIFT legislation will not apply to the Fund prior to 2011.**

Taxation of the Fund

The taxation year of the Fund is the calendar year. Subject to the SIFT legislation discussed below, in each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains computed in accordance with the detailed provisions of the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable or deemed to be paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount. The income for purposes of the Tax Act of the Fund for each taxation year will include all interest on Operating Trust Notes that accrues to, becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year and such amount of the income and net taxable capital gains, as is paid or becomes payable or deemed to be paid or payable to the Fund in the year in respect of the Operating Trust Units. The Fund will generally not be subject to tax on any amounts received as distributions on the Operating Trust Units that are in excess of the income of the applicable Operating Trust that is paid or payable or deemed to be paid or payable by such Operating Trust to the Fund in a year but such amounts will generally reduce the adjusted cost base of the Operating Trust Units. Where the adjusted cost base of the Operating Trust Units would otherwise be a negative amount, the Fund will recognize a capital gain in such amount in that year, and its adjusted cost base of the Operating Trust Units at the beginning of the next taxation year will then be nil.

In computing its income, the Fund will generally be entitled to deduct reasonable administrative expenses incurred to earn income. The Fund will be entitled to deduct the costs incurred by it in connection with the issuance of Units on a five-year, straight-line basis.

Under the Declaration of Trust, all of the income of the Fund for each year other than taxable capital gains (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by the Fund (computed in accordance with the detailed provisions of the Tax Act) in the year (excluding any capital gains or income which may be realized by the Fund upon a transfer *in specie* of the Fund's assets to redeeming Unitholders in connection with a redemption of Units and designated by the Fund as income or capital gains paid or payable to the redeeming Unitholders) will be payable in the year to the Unitholders by way of cash distributions, subject to the exceptions described below. Counsel has been advised that the Fund intends to make distributions in each year to Unitholders in an amount sufficient to ensure that the Fund will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to the Fund).

Income of the Fund that is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Units ("**Reinvested Units**"). Income of the Fund payable to Unitholders, whether in cash or additional Units will generally be deductible by the Fund in computing its taxable income.

Losses incurred by the Fund cannot be allocated to Unitholders, but can be deducted by the Fund in future years in computing its taxable income, in accordance with the Tax Act. In the event the Fund would otherwise be liable for tax on its net recognized taxable capital gains for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Unitholders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income recognized by the Fund in connection with such redemptions may, at the discretion of the trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Unitholder. Such income or the taxable portion of any capital gain so designated must be included in the income of the redeeming Unitholders (as income or taxable capital gains) and will be deductible by the Fund in computing its income.

For purposes of the Tax Act, the Fund generally intends to deduct, in computing its income and taxable income, the full amount available for deduction in each year. As a result of such deductions and the Fund's entitlement to a capital gains refund, it is expected that the Fund will not be liable for any material amount of tax under the Tax Act. However, no assurance can be given in this regard.

Under the SIFT legislation, after 2010 (or earlier, if the Fund exceeds "normal growth"), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of: (i) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from businesses or non-portfolio properties); and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). A deduction is permitted for dividends received by a SIFT trust where the dividends could have been deducted if the SIFT trust were a corporation. "Non-portfolio properties" include: (i) Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT trust itself; (ii) a property that the SIFT trust (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada; and (iii) securities of a subject entity if the SIFT trust holds securities of the subject entity that have a fair market value greater than 10% of the subject entity's equity value or if the SIFT trust holds securities of the subject entity or its affiliates that have a total fair market value greater than 50% of the SIFT trust's equity value. A subject entity includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships. It is expected that the Operating Trust Units and Operating Trust Notes will be non-portfolio properties. For the 2011 taxation year, income which a SIFT trust is unable to deduct in accordance with the foregoing restrictions will be taxed in the SIFT trust at a rate of 29.5%. The SIFT legislation does not change the tax treatment of distributions that are paid as returns of capital.

Taxation of the Operating Trusts

This summary is based on the assumption that the SIFT legislation will not apply to the Operating Trusts at any time. The taxation year of the Operating Trusts is the calendar year. In each taxation year, each of the Operating Trusts will be subject to tax under Part I of the Tax Act on its income for the year, including its allocated share of the income of Liquor Stores LP or Liquor Barn LP, as the case may be, except to the extent such income is paid or payable or deemed to be paid or made payable in such year to its unitholders, including the Fund, and is deducted by the Operating Trust in computing its income for tax purposes.

In computing its income for tax purposes, each of the Operating Trusts will generally be entitled to deduct its expenses (including interest that accrues, is payable or is paid on such Operating Trust's Operating Trust Notes) incurred to earn such income, provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the declaration of trust of each of the Operating Trusts, all of the income of the Operating Trust for each year, together with the taxable and non taxable portion of any capital gains realized by the Operating Trust in the year, will generally be paid or made payable in the year to holders of the applicable Operating Trust Units. For purposes of the Tax Act, each of the Operating Trusts generally intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. Counsel has been advised by the Fund that the Fund does not expect the Operating Trusts to be liable for any material amount of tax under Part I of the Tax Act. However, counsel can provide no opinion in this regard.

Taxation of the Partnerships

This summary is based on the assumption that the SIFT legislation will not apply to the Partnerships at any time. The Partnerships are not subject to tax under the Tax Act. Each partner of Liquor Stores LP, including LSOT, and each partner of Liquor Barn LP, including LBOT, is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of Liquor Stores LP or Liquor Barn LP, as the case may be, for its fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any of that income is distributed to the partner in the taxation year. Each of the Partnership's fiscal period is the calendar year. For this purpose, the income or loss of the Partnerships will be computed for each fiscal year as if the Partnerships were separate persons resident in Canada. In computing the income or loss of the Partnerships, deductions may be claimed in respect of capital cost allowance, reasonable administrative costs, interest and other expenses incurred by the Partnerships for the purpose of earning income, subject to the relevant provisions of the Tax Act. The income or loss of the Partnerships for a fiscal year will be allocated to the partners of the Partnerships, including LSOT or LBOT, as the case may be, on the basis of their respective share of that income or loss as provided in the applicable partnership agreement, subject to the detailed rules in the Tax Act in that regard.

Generally, distributions to partners in excess of the income of a Partnership for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in the Partnership by the amount of such excess. If, as a result, an Operating Trust's adjusted cost base at the end of a taxation year of its units in a Partnership would otherwise be a negative amount, the Operating Trust will be deemed to realize a capital gain in such amount for that year, and the Operating Trust's adjusted cost base at the beginning of the next taxation year of its units in the Partnership will then be nil. If a Partnership were to incur losses for tax purposes, the Operating Trust's ability to deduct such losses may be limited by certain rules under the Tax Act.

Taxation of Debenture Holders

Interest on Debentures

A Debenture holder that is a corporation, partnership, unit trust or a trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Debentures that accrues to the holder to the end of that taxation year or that becomes receivable by or is received by the holder before the end of that taxation year, except to the extent that the holder included that interest in computing its income for a preceding taxation year.

Any other holder will be required to include in computing its income for a taxation year all interest on the Debentures received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the holder included that interest in income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the holder, such a holder will be required to include in income, for any taxation year that includes an "anniversary date" (as defined in the Tax Act) of the Debentures held by such holder, any interest or amount that is considered for the purposes of the Tax Act to be interest on the Debentures which accrues to the holder to the end of such day, to the extent that such interest was not otherwise included in computing the holder's income for the year or a preceding year.

A holder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, is liable to pay an additional refundable tax of 6²/₃% on investment income, which generally includes interest income.

Exercise of Conversion Privilege

A Debenture holder who converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units. The holder will realize a capital gain or capital loss computed as described below under "Capital Gains and Losses". The cost to the holder of the Units so acquired will be equal to the fair market value thereof at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property for the purpose of calculating the adjusted cost base of such Units to the holder.

Redemption or Repayment of Debentures

If the Fund redeems a Debenture prior to the Maturity Date or repays a Debenture upon the Maturity Date and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (other than the amount received as interest) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to have realized proceeds of disposition equal to the fair market value of the Units so received and the amount of any cash received in lieu of fractional units. The holder may realize a capital gain or capital loss computed as described below under "Capital Gains and Losses". The cost to the holder of the Units so received will be equal to the fair market value thereof at the time of receipt, and must be averaged with the adjusted cost base of all other Units held as capital property for the purpose of calculating the adjusted cost base of such Units to the holder.

Other Disposition of Debentures

A disposition or deemed disposition by a holder of a Debenture (other than on a conversion, redemption or repayment) will generally result in the holder realizing a capital gain (or capital loss) computed as described below under "Capital Gains and Losses".

Capital Gains and Losses

A disposition or deemed disposition by a Debenture holder as discussed above will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income, except to the extent such amount was otherwise included in the holder's income, and will be excluded in computing the holder's proceeds of disposition of the Debenture. Capital gains and losses realized by a Debenture holder generally will be subject to tax under the Tax Act in the manner described below under "Taxation of Capital Gains and Losses".

Unitholders

Fund Distributions

Subject to the SIFT legislation, a Unitholder will generally be required to include in income for a particular taxation year the portion of income of the Fund computed for tax purposes, including net realized taxable capital gains, that is paid or payable to the Unitholder in that particular taxation year, whether paid in cash or in additional Units. Any deduction or loss of the Fund for purposes of the Tax Act cannot be allocated to and treated as a loss of the Unitholders. Pursuant to the SIFT legislation, after 2010 (or earlier, if the Fund exceeds "normal growth") taxable distributions from the Fund received by investors and paid from the Fund's after-tax income would generally be deemed to be received as taxable dividends from a taxable Canadian corporation. Provided that appropriate designations are made by the Fund, such portions of its net taxable capital gains and taxable dividends received from taxable Canadian corporations as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

Amounts that are treated as taxable dividends paid by a taxable Canadian corporation (including taxable distributions under the SIFT legislation) will be subject, among other things, to the normal gross-up and dividend tax credit provisions applicable in respect of Unitholders that are individuals, the refundable tax under Part IV of the Tax Act in respect of Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income in respect of dividends received by taxable Canadian corporations. Provided the appropriate designation is made by the Fund, deemed dividends received under the SIFT Legislation may be "eligible dividends" and may benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act.

The non-taxable portion of net realized capital gains (being one-half thereof) of the Fund that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the income of the Fund that is paid or payable by the Fund to a Unitholder in a year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder, other than as proceeds of disposition of

Units, such payment will give rise to a reduction in the adjusted cost base of the Units held by such Unitholder, except to the extent that the amount was either included in the income of the Unitholder as described above or was the Unitholder's share of the non-taxable portion of the net capital gains of the Fund, the taxable portion of which was designated by the Fund in respect of the Unitholder. If the adjusted cost base of a Unitholder's Units becomes negative as a result of such reduction, the negative amount is deemed to be a capital gain in the year such negative amount arises and is added to the adjusted cost base of such Units.

The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by a Unitholder as capital property immediately before that acquisition.

A Unitholder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) will be subject to a refundable tax of 6 2/3% in respect of its aggregate investment income for the year, which will include substantially all the income, other than taxable dividends, distributed to the Unitholder by the Fund. Net income of the Fund paid or payable to a Unitholder who is an individual, that is deemed to be or designated as taxable dividends or as net realized taxable capital gains, may be subject to minimum tax, depending on the Unitholder's circumstances.

Disposition of Units

Upon the disposition or deemed disposition by a Unitholder of Units, whether on a redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition (excluding any amount payable by the Fund that must otherwise be included in the Unitholder's income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of such Units and any reasonable costs of disposition. Capital gains and losses realized by a Unitholder generally would be subject to tax under the Tax Act in the manner described below under "Taxation of Capital Gains and Losses".

A redemption of Units in consideration for cash, Operating Trust Notes or other securities distributed to the Unitholder in satisfaction of the redemption price, as the case may be, will be a disposition of such Units for proceeds of disposition equal to the aggregate of any cash and the fair market value of the Operating Trust Notes or other securities so distributed, as the case may be, less the portion of any income or capital gain realized by the Fund in connection with the redemption of those Units that has been designated by the Fund as payable to the redeeming Unitholder as described above. Where the Fund has designated such capital gain or income as payable to a redeeming Unitholder, the Unitholder will be required to include in income such income and the taxable portion of the capital gain so designated. Redeeming Unitholders will consequently realize a capital gain (or capital loss), depending upon whether the proceeds of disposition received exceed (or are less than) the adjusted cost base of the Units so redeemed and any reasonable costs of disposition. The adjusted cost base of the Operating Trust Notes or other securities transferred by the Fund to a Unitholder upon an in specie redemption of Units by that Unitholder will generally be equal to the fair market value of such notes at the time of transfer less any accrued but unpaid interest on such notes at that time. The Unitholder will thereafter be required to include in income interest on any such notes in accordance with the provisions of the Tax Act. To the extent that the Unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of such notes by the Unitholder, an offsetting deduction will be available. Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends from taxable Canadian corporations previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by such dividends. Similar rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units. Unitholders should consult their own tax advisors on the tax consequences of acquiring, holding and disposing of Operating Trust Notes or any other securities acquired from the Fund on a redemption of Units, having regard to their own particular circumstances.

Exempt Plans (and the annuitants of such plans) who redeem their Units in circumstances which entitle them to Operating Trust Notes or any other securities held by the Fund should consult their own tax advisors with regard to whether the securities which they receive will constitute a qualified investment for such Exempt Plans. If such securities do not constitute a qualified investment for an Exempt Plan, adverse tax consequences can result. For example, where a trust governed by a RRSP or RRIF acquires securities that are not a qualified investment, the value of such securities will be included in the income of the annuitant in the year of acquisition. Also, trusts governed by RESPs can have their registration revoked by the CRA if they acquire securities that are not a qualified investment.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, any capital loss arising on the disposition will generally be reduced by the amount of distributions designated as taxable dividends previously distributed to the Unitholder except to the extent that a loss on the previous disposition of a Unit has been reduced by such dividends. Similar rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Taxation of Capital Gains and Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a holder in a taxation year must be included in the holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a holder in a taxation year may be deducted from taxable capital gains realized by the holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A holder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains. Capital gains realized by a holder who is an individual may give rise to a liability for minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, provided the Debentures and Units are listed on the TSX, the Debentures and the Units issuable on the conversion, redemption or maturity of the Debentures will, at the date of issue, be qualified investments for trusts governed by Exempt Plans (other than, with respect to the Debentures, a trust governed by a DPSP to which contributions are made by the Fund).

RISK FACTORS

Before making an investment decision, prospective purchasers of Units should consider carefully the information contained in and incorporated by reference in this prospectus and, in particular, the risk factors set out at pages 35 through 43 inclusive in the Fund's AIF and at page 11 of the Fund's management's discussion and analysis for the year ended December 31, 2006. These risks include industry risks associated with the retail liquor store business including: government regulation; competition; the ability to locate and secure acceptable store sites and to adapt to changing market conditions; risks relating to future acquisitions and development of new stores; failure to achieve the benefits of acquisitions; dependence on key personnel; supply interruption; reliance on information and control systems; and dependence on capital markets to fund the Partnerships' growth strategy beyond available credit facilities. The risk factors also include risks associated with the structure of the Fund including: the dependence of the Fund on the Partnerships; unpredictability and potential volatility of the trading price of the Units including the effect of market interest rates on the price of Units; the nature of the Units; cash distributions are not guaranteed and will fluctuate with the Partnership's performance; the legal attributes of the Units; leverage and restrictive covenants in agreements relating to current and future indebtedness of the Partnerships; the restrictions on the potential growth of the Partnerships as a consequence of the payment by the Partnerships of substantially all of their operating cash flow to the Fund; income tax related risks, including the risk of changes in the tax treatment of income trusts; future sales of Units by the holders of Exchangeable LSLP Units and Subordinated LSLP Units; the right to approve certain material transactions by certain holders of Exchangeable LSLP Units and Subordinated LSLP Units; investment eligibility of the Units; the distribution of securities on redemption or termination of the Fund; and restrictions on non-resident Unitholders and liquidity of Units.

In addition to the foregoing, perspective purchasers of Debentures should consider the other information set forth below or contained elsewhere in this prospectus and the documents incorporated by reference herein.

Market for Securities

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this prospectus. There can be no assurance that an active trading market will develop for the Debentures after the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

Prior Ranking Indebtedness; Absence of Covenant Protection

The Debentures will be subordinate to all Senior Indebtedness and to any indebtedness of creditors of the Fund. The Debentures will also be effectively subordinate to claims of creditors of the Fund's subsidiaries, including the Partnerships, except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

The Debenture Indenture will not limit the ability of the Fund to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions. The Debenture Indenture does not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Fund.

Possible Dilutive Effects on Holders of Units

The Fund may determine to redeem outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Units. Accordingly, holders of Units may suffer dilution. See "Details of the Offering – Payment upon Redemption or Maturity".

Specified Investment Flow-Through Legislation

It is expected that the SIFT legislation will subject the Fund to trust level taxation beginning on January 1, 2011, which will materially reduce the amount of cash available for distributions to Unitholders. The Fund estimates that the SIFT legislation will, commencing on January 1, 2011, reduce the amount of cash available to the Fund to distribute to its Unitholders by an amount equal to 29.5% of the pre-tax income available for distribution by the Fund. A reduction in distributions could adversely affect the value of the Units. A reduction in the value of the Units would be expected to increase the cost to the Fund of raising capital in the public capital markets. There can be no assurance that the Fund will be able to reorganize its legal and tax structure to reduce the expected impact of the SIFT legislation. In addition, there can be no assurance that the Fund will maintain its "grandfathered" status under the SIFT legislation until 2011. If the Fund exceeds "normal growth" during the transitional period from October 31, 2006 to December 31, 2010, the SIFT legislation would become effective on a date earlier than January 1, 2011. Loss of grandfathered status could have a material and adverse effect on the value of the Units.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Fund to which the Fund is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

MATERIAL CONTRACTS

The following contracts may be material to an investor in Debentures:

- (a) the Underwriting Agreement; and
- (b) the Debenture Indenture.

Copies of each of the foregoing agreements may be inspected during regular business hours at the offices of the Fund, at Suite 300, 10508 – 82 Avenue, Edmonton, Alberta, until the expiry of the 30-day period following the date of this prospectus. Copies of each of the foregoing agreements are (or, in the case of the Debenture Indenture, will, following closing of the Offering ,be) available on www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Edmonton, Alberta.

The transfer agent and registrar for the Units and the Debentures is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Liquor Stores Income Fund (the "**Fund**") dated December 14, 2007 relating to the qualification for distribution of 6.75% Convertible Unsecured Subordinated Debentures of the Fund (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above mentioned Prospectus, of our report to the unitholders of the Fund, on the consolidated balance sheets of the Fund as at December 31, 2006 and 2005 and the consolidated statements of earnings and cumulative undistributed earnings and cash flows for the years then ended. Our report is dated March 7, 2007.

We also consent to the use, through incorporation by reference in the above mentioned Prospectus, of our report to the trustees and unitholders of Liquor Barn Income Fund, on the consolidated balance sheet of Liquor Barn Income Fund as at December 31, 2006 and the consolidated statements of earnings and deficit and cash flows for the period then ended. Our report is dated March 14, 2007 (except for notes 21(b), (c), (d) and (e), which are as at May 3, 2007).

Edmonton, Alberta
December 14, 2007

(signed) PricewaterhouseCoopers LLP
Chartered Accountants

CERTIFICATE OF THE FUND

Dated: December 14, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

LIQUOR STORES INCOME FUND

By its attorney:

Liquor Stores GP Inc.

(signed) Irving Kipnes
Chief Executive Officer

(signed) Patrick de Grace
Chief Financial Officer

On Behalf of the Board of Directors

(signed) David Margolus
Director

(signed) Henry Bereznicki
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 14, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

By: (signed) Derek Neldner

CORMARK SECURITIES INC.

By: (signed) Ronald A. MacMicken

NATIONAL BANK FINANCIAL INC.

By: (signed) Louis Gendron

RAYMOND JAMES LTD.

By: (signed) Jason L. Holtby

HSBC SECURITIES (CANADA) INC.

By: (signed) Laura McElwain