


Liquor Stores Offers to Acquire Liquor Barn

Creating the Leading Independent Liquor Retailer in Alberta and B.C.

April 2007

Disclaimer

This document contains forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements, including, without limitation, statements regarding the potential benefits to be derived from the combination of Liquor Stores Income Fund and Liquor Barn Income Fund, future financial position, cash distributions, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving Liquor Stores Income Fund or Liquor Stores LP. You can identify many of these statements by looking for words such as “believes”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of the distributions of Liquor Stores Income 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 document and in Liquor Stores Income Fund’s offer and take-over bid circular. There can be no assurance that such expectations will prove to be correct. Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under “Risk Factors” in Liquor Stores Income Fund’s Annual Information Form and other documents Liquor Stores Income Fund files with Canadian securities regulatory authorities, including the offer and takeover bid circular in respect of the offer, copies of which are available from Liquor Stores Income Fund directly, or its website, www.liquorstoresincomefund.ca, or on the SEDAR website at www.sedar.com. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this document are made as of the date of this document and Liquor Stores Income Fund assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities law.

This document contains references to non-GAAP terms. See "Non-GAAP Measures"

Liquor Stores Management Team

Irving Kipnes (1)	▪ Chief Executive Officer ▪ Co-Founder
Henry Bereznicki	▪ Chairman and Director of Store Acquisitions & Development ▪ Co-Founder
Rick Crook	▪ President and Chief Operating Officer
Patrick de Grace (1)	▪ Vice President, Finance and Chief Financial Officer

- 36 years of collective retail liquor experience
- 60 years of collective real estate development experience

(1) Presenters

Offer Summary

Liquor Stores Offer for Liquor Barn

Consideration	▪ 0.53 of a Liquor Stores unit per Liquor Barn unit
Valuation[1]	▪ $11.30 per Liquor Barn unit – 34.6% premium to closing price – 35.7% premium to 20-day VWAP
Pro Forma Ownership[2]	▪ Liquor Stores 64% / Liquor Barn 36%
Structure	▪ Take-over bid, expiry date of May 17, 2007 ▪ 66 2/3% minimum tender condition ▪ Merger transaction alternative providing for tax-deferred "roll-over"
Lock-Up[3]	▪ Support of Liquor Barn's 2nd largest unitholder group, Spirits Liquor Mart Group, representing 5.8% voting interest

(1) Based on closing unit prices on April 9, 2007
(2) Pro forma ownership including all outstanding options; 61% and 39%, respectively on a fully diluted basis (including convertible debentures)
(3) Based on publicly traded trust units, exchangeable LP units and subordinated LP units outstanding as at April 10, 2007




Strategic Rationale

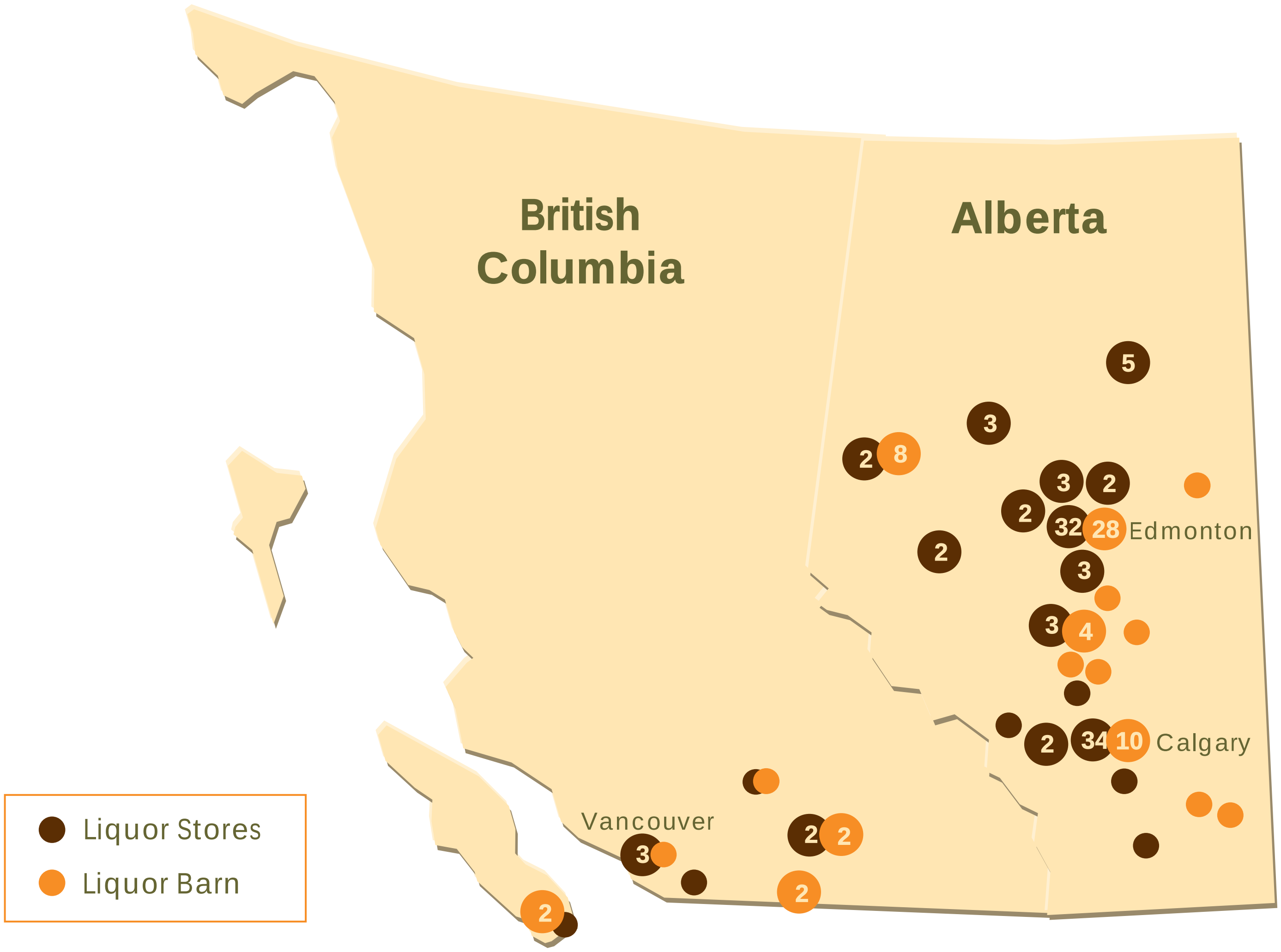
Strategic Rationale

- Creates the Leading Independent Liquor Retailer in Alberta and B.C.
- Strong Platform for Future Growth
- Immediate Realization of Cost Synergies
- Attractive Opportunities to Enhance Margins
- Establishes Larger Entity with Improved Trading Liquidity
- Proven Management Capability to Acquire, Integrate and Optimize Value of Combined Assets
- Accretive to Distributable Cash per Unit [(1)]

(1) See “Non-GAAP Measures”

Creates the Leading Independent Liquor Retailer in Alberta and B.C.

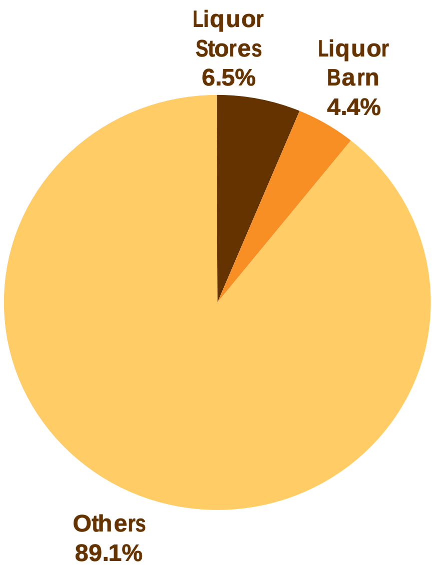
- Combined entity will have 176 stores
  - 158 stores in Alberta and 18 stores in B.C.



Strong Platform for Future Growth

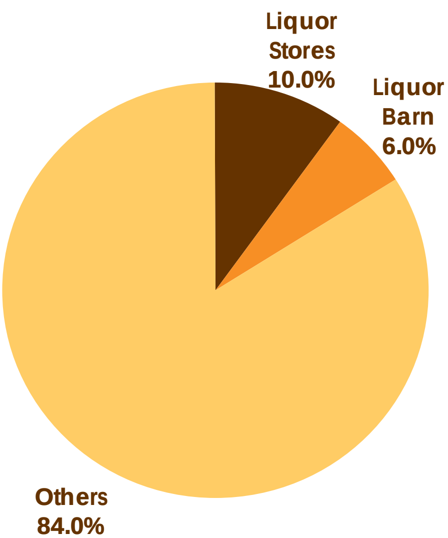
- Potential for further consolidation and new store development in core markets
  - Combined 10.9% market share of total number of independent liquor stores in Alberta and B.C.
  - Combined 16.0% market share of total sales from independent liquor stores in Alberta and B.C.
- Significant capital available to invest in future growth
  - Liquor Stores' cumulative "safe harbour" equity growth amount is approximately $235 million through 2010, with approximately $98 million available immediately
  - Combined entity's cumulative "safe harbour" equity growth amount will be approximately $300 million through 2010

Market Share by Stores (1)



(1) Source: AGLC, BC LDB. Independent stores only

Market Share by Total Sales (1)(2)



(1) Source: AGLC, BC LDB. Independent stores only
(2) Liquor Barn sales estimated based on annualized results reported since IPO

Discontinuance of Relationship with Liquor Barn Devco Ltd.

- Liquor Barn Devco Ltd.'s ("Devco") arrangement results in Liquor Barn unitholders foregoing value creation from low risk new store development
- Devco can use up to 25% of Liquor Barn executives' time, on a fee for service basis, for sourcing, developing and acquiring stores to the benefit of Devco
- Liquor Stores does not use such an arrangement – views this as unnecessary, detracting from value to public unitholders, and creating the potential for conflicts of interest
  - All value creation resulting from Liquor Stores' acquisitions and new store development are 100% to the benefit of the fund
- Combined company intends to source all new store development and acquisitions internally

Ability to Leverage Well Established Brands

- When combined, Liquor Barn will benefit from Liquor Stores' consistent advertising programs
  - In addition to substantial newspaper advertising, Liquor Stores currently distributes annually approximately 6 million flyers in Alberta and approximately 500,000 flyers in B.C.
- Liquor Barn's brand visibility will be enhanced through a more frequent and more consistent marketing program
- Combined entity to continue to drive growth by leveraging 2 strong brands
  - Liquor World brand is currently being phased out

Immediate Realization of Cost Synergies

- Liquor Stores expects to realize immediate cost synergies
  - Elimination of certain public company costs of Liquor Barn
    - Estimated at $0.6 million
  - Elimination of redundant head office and general and administrative expenses
    - Estimated to be at least $0.9 million
- Anticipate additional cost synergies as the businesses are integrated
  - Economies of scale (i.e. advertising, supplies, information systems, etc.)
  - Rationalization of head office functions
  - Lower cost of bank financing
- Liquor Stores' management has a proven track record of successfully integrating new stores and realizing synergies
  - 2004 – Integrated 22 Liquor World stores into Liquor Depot
  - 2005 – Acquired, developed and integrated 25 new stores
  - 2006 – Acquired, developed and integrated 30 new stores

Attractive Opportunities to Enhance Margins

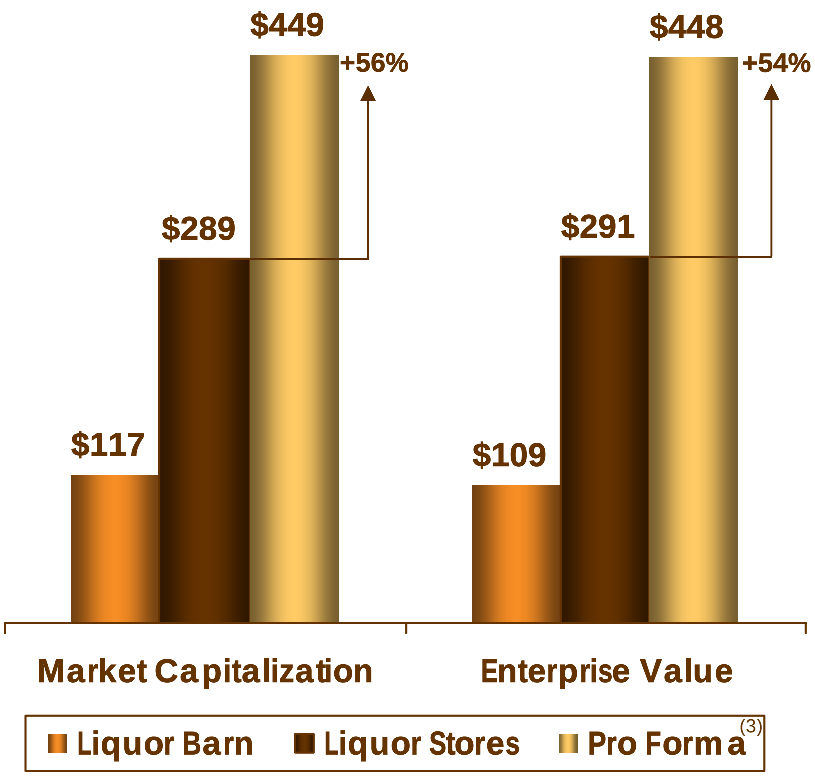
- Liquor Stores' historical EBITDA margin (1) is significantly higher than that of Liquor Barn
  - 9.8% for Liquor Stores vs. 5.9% for Liquor Barn (2)
  - Liquor Barn's EBITDA margins have shown no improvement over the past 2 years
- EBITDA margin enhancement initiatives include:
  - Increasing use of "limited time offer" inventory purchases by utilizing Liquor Stores' access to inventory finance
  - Optimizing product sales mix
  - Increasing revenue per store
  - Aggressive cost control
  - Implementing other operational best-practices

(1) See "Non-GAAP Measures"
(2) For the 6-month period ended December 31, 2006. EBITDA margin for Liquor Barn reflects $766,446 amortization of inventory fair market value adjustment as per Liquor Barn's MD&A for the period ended December 31, 2006. See "Non-GAAP Measures"

Establishes Larger Entity with Improved Trading Liquidity

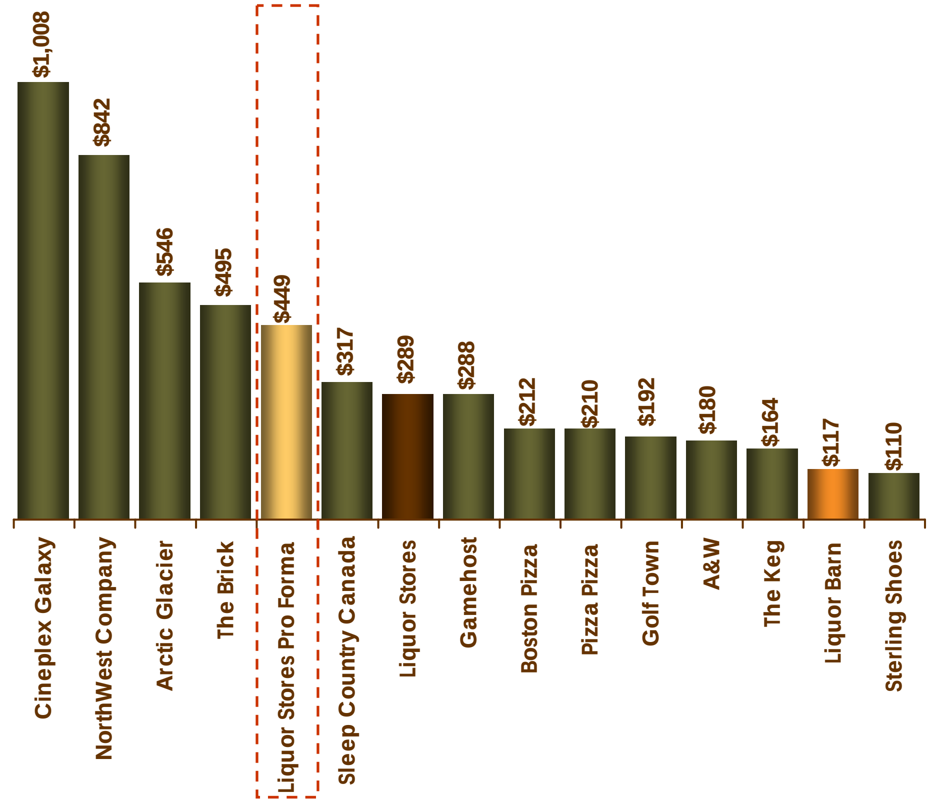
Larger Pro Forma Entity (1)(2)

(C$ million)



Top Consumer / Retail Trusts (1)

Market Capitalization (C$ million)

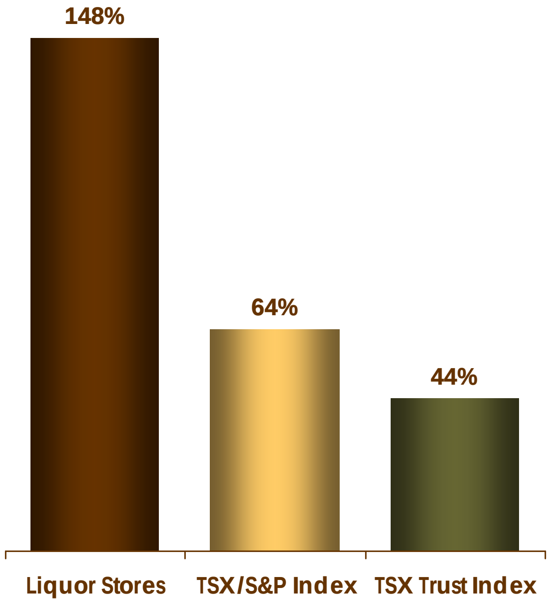


(1) Based on closing prices on April 9, 2007
(2) Liquor Barn adjusted to reflect recent convertible debenture financing (closed on Jan. 4, 2007) and equity offering (closed on Apr. 10, 2007)
(3) Pro forma amounts shown include transaction adjustments only

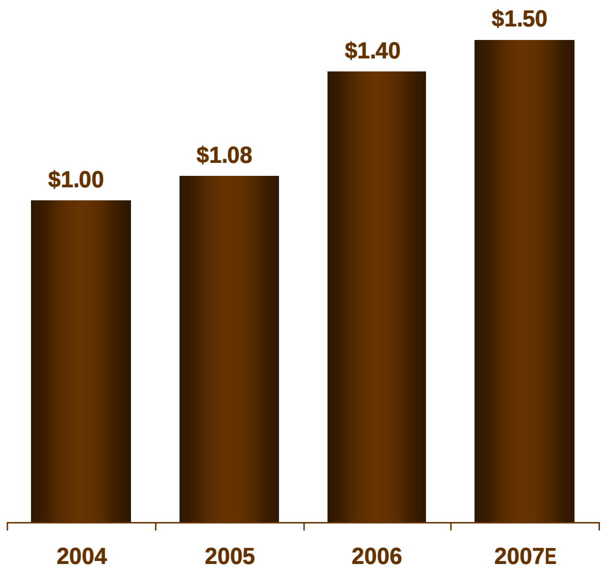
(1) Based on closing prices on April 9, 2007

Proven Management Capability to Acquire, Integrate and Optimize Value of Combined Assets

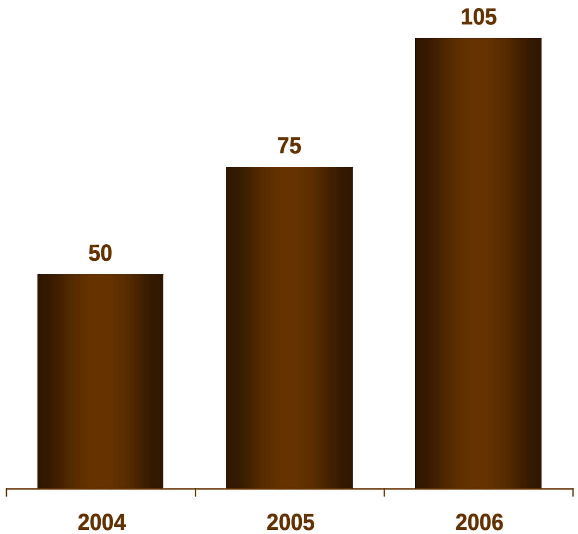
Total Return (1)



Unit Distribution Rates (2)



Store Growth (3)



- Since IPO in September 2004, Liquor Stores has grown from 50 to 105 stores and raised distributions 4 times from $1.00 to $1.50 per unit
  - Represents a 50% increase in distributions
- Provided more than 2x the return of investing in the TSX/S&P Index and more than 3x the TSX Income Trust Index

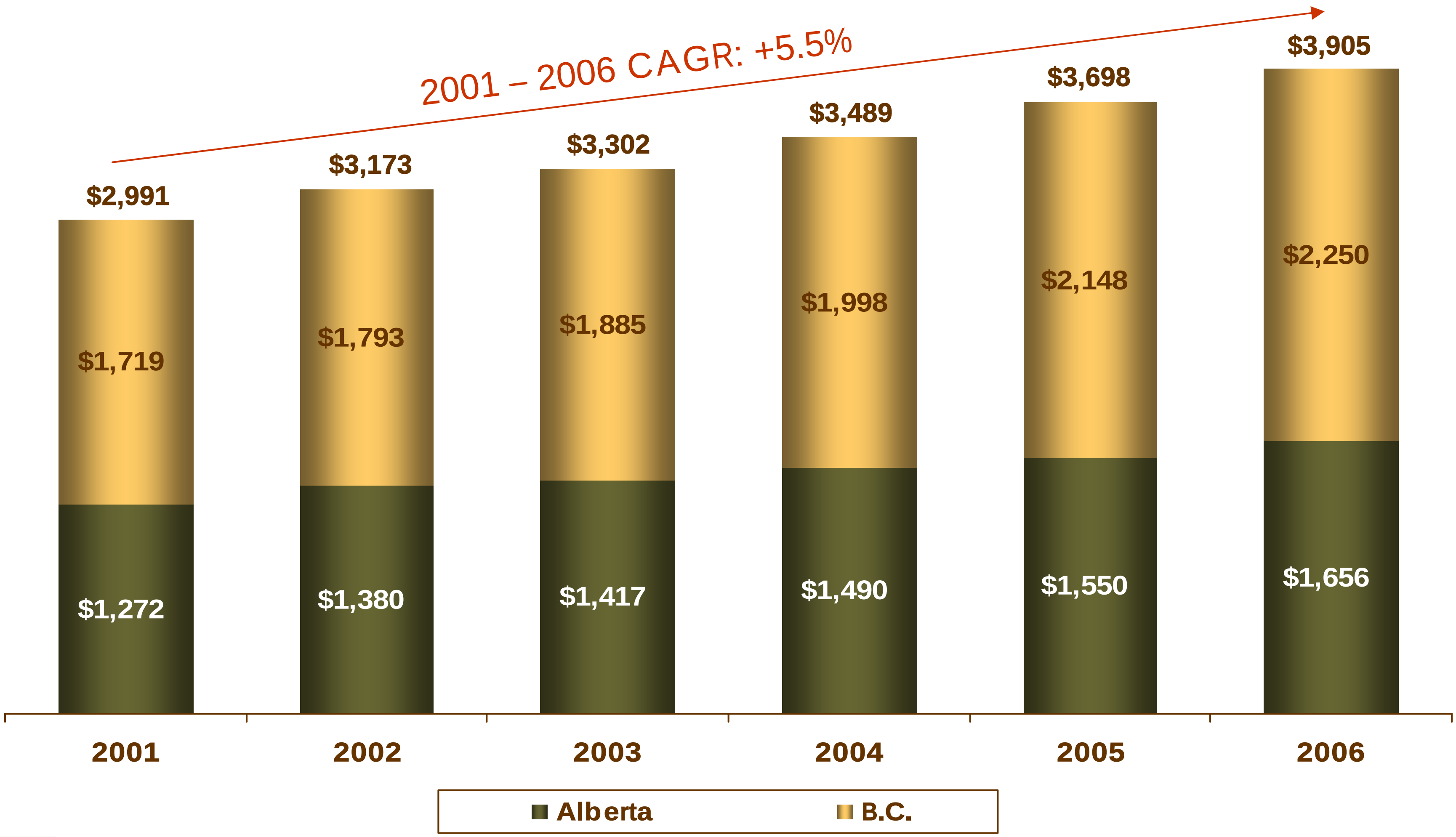
(1) Total returns including re-investment of distributions from September 28, 2004 to April 9, 2007
(2) 2004 to 2006 distributions annualized based on December distributions; 2007E distributions annualized based on March distribution
(3) Since IPO on September 28, 2004




Financial Highlights

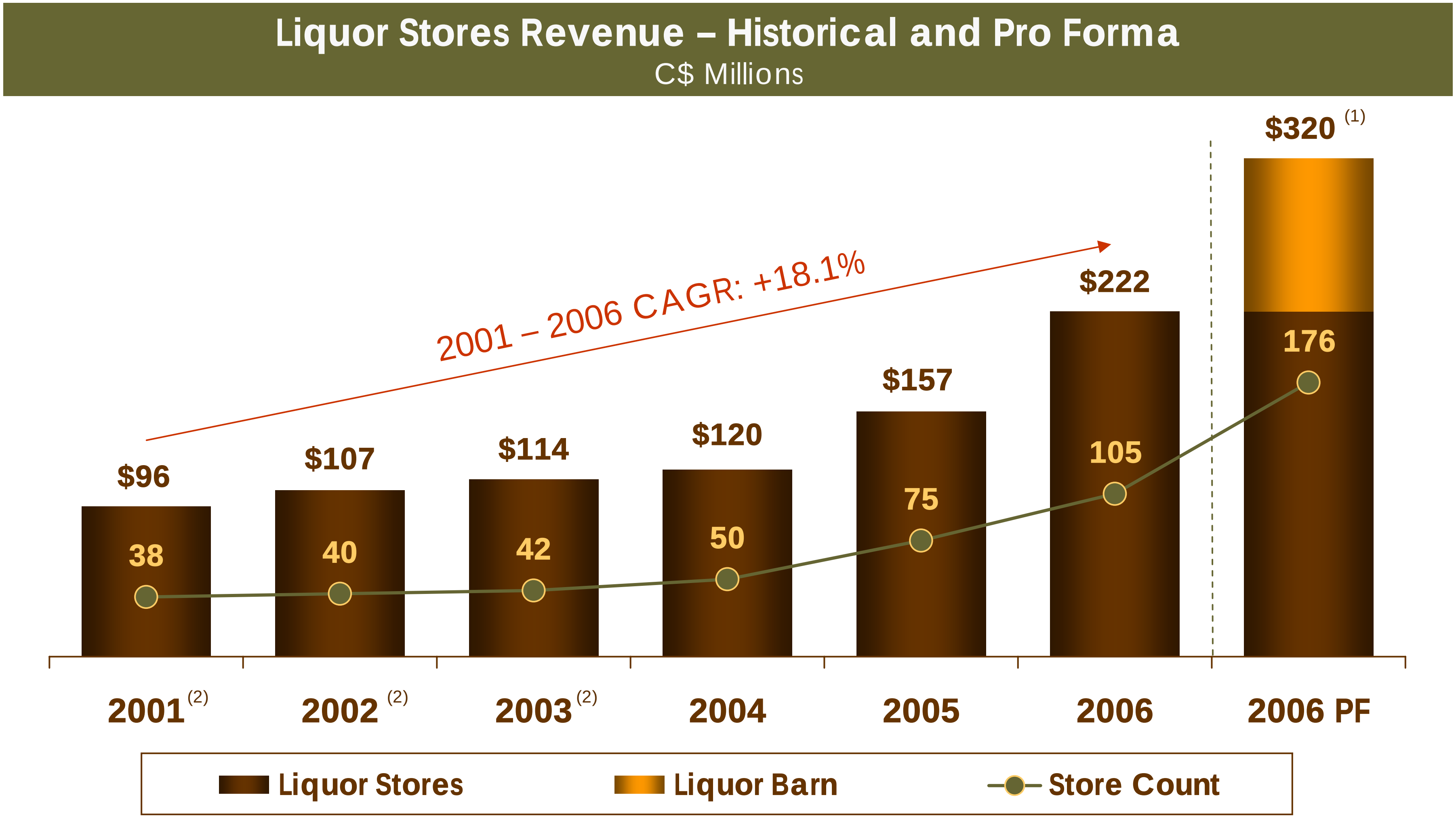
Stable and Growing Industry

Industry Liquor Sales by Province



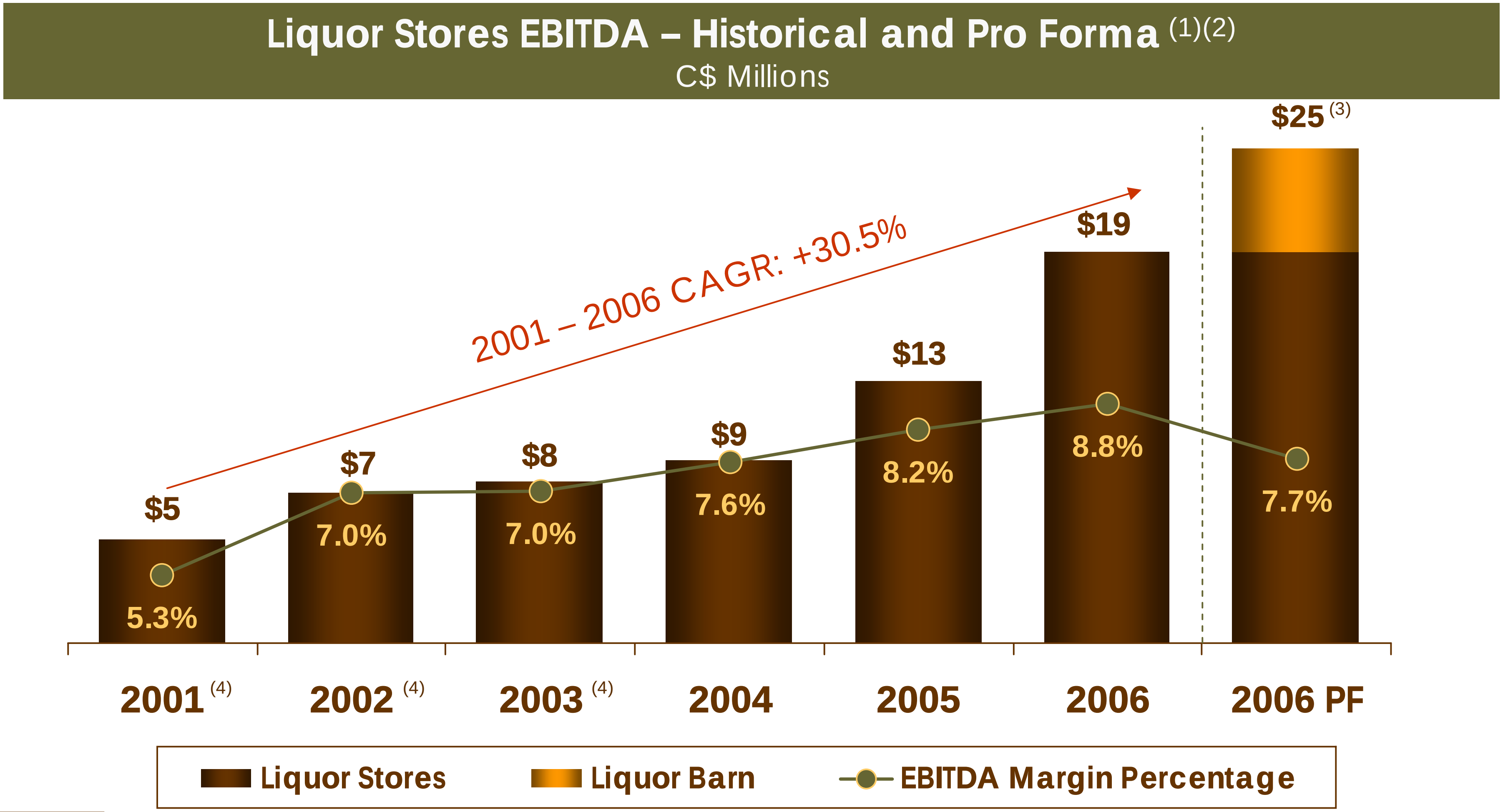
Source: Alberta Gaming & Liquor Commission and B.C. Liquor Distribution Branch reports

Consistent Record of Revenue Growth



(1) Liquor Barn results only reflect operations since IPO (May 17, 2006 to December 31, 2006)
(2) Fiscal year ended July 31

Reliable and Growing EBITDA



(1) As referenced in Liquor Stores' IPO prospectus dated September 17, 2004 and its 2006 annual financial statements, Liquor Barn's 2006 annual financial statements, and Liquor Stores' offer and take-over bid circular dated April 10, 2007. See "Non-GAAP Measures"

(2) Earnings before non-controlling interest in these years were as follows: 2006 PF – $17,969,000; 2006 – $15,977,863; 2005 – $10,311,653; 2004 – not determinable; 2003 – $270,000 (combined); 2002 – $798,000 (combined); and 2001 – $562,000 (combined). See "Non-GAAP Measures"

(3) Liquor Barn results only reflect operations since IPO (May 17, 2006 to December 31, 2006). Does not reflect any pro forma adjustments such as synergies

(4) Fiscal year ended July 31

Pro Forma Capitalization

As at December 31, 2006
C$ millions

	Liquor Stores	Liquor Barn	Pro Forma	Pro Forma Adjusted (1)
Cash	3.4	0.6	6.1	53.4
Total Assets	187.1	120.4	345.0	406.2
Total Debt	5.5	24.2	36.5	52.2
Net Debt (2)	2.1	23.6	30.4	(1.2)
Equity (3)	174.2	88.4	293.1	338.6

- Financial strength to continue to drive growth through new store acquisitions and development

(1) "Pro Forma Adjusted" reflects Liquor Barn's recent convertible debenture financing (closed on January 4, 2007) and equity offering (closed on April 10, 2007) and other transaction related adjustments
(2) "Net Debt" means total short-term and long-term debt ("Total Debt") less total cash and cash equivalents ("Cash")
(3) Includes non-controlling interest

Future Growth Opportunities

- Liquor Stores will continue to benefit from an active development pipeline including 7 new stores scheduled to open in 2007

Location	Estimated Timing
Vernon, BC	Q2 2007
Canmore, AB	Q3 2007
S.W. Edmonton, AB	Q3 2007
Edson, AB	Q4 2007
Olds, AB	Q4 2007
West Edmonton, AB	Q4 2007
West Edmonton, AB	Q4 2007

- Consistent with Liquor Stores’ track record to date, it will continue to pursue the acquisition of additional stores




Summary

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- Accretive to Distributable Cash per Unit [1]

(1) See "Non-GAAP Measures"

Reasons to Accept the Liquor Stores Offer

- Offer Represents a Substantial Premium for Liquor Barn Units
  - 34.6% Premium to Closing Price
  - 35.7% Premium to 20-day VWAP
- Results in Immediate 2.6% Increase to Liquor Barn Cash Distributions
- Liquor Barn Unitholders will Benefit from Compelling Strategic Rationale through Continued Ownership in the Combined Entity
- Elimination of the Devco Relationship will Enhance Financial Returns to Unitholders Through Full Participation in Value Creation from Future Store Development and Acquisitions
- Significant Capital Available to Invest in Future Growth
  - Liquor Stores' cumulative "safe harbour" equity growth amount is approximately $235 million through 2010, with approximately $98 million available immediately
  - Combined entity's cumulative "safe harbour" equity growth amount will be approximately $300 million through 2010
- Offer Has Been Structured to Offer a Tax Deferred Roll-Over if Desired

Risk Factors

The Fund's results of operations, business prospects, financial condition, cash distributions to Unitholders and the trading price of the Fund's units are subject to a number of risks. These risk factors include: risks relating to government regulation; competition; the Company's 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; the Company's ability to hire and retain staff at current wage levels, risks related to future unionization, supply interruption; reliance on information and control systems; dependence on capital markets to fund the Company's growth strategy beyond its available credit facilities; dependence of the Fund on the Company; leverage and restrictive covenants in agreements relating to current and future indebtedness of the Company; restrictions on the potential growth of the Company as a consequence of the payment by the Company of a substantial amount of its operating cash flow; income tax related risks; and the Vendors' right to approve certain material transactions.

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

Non-GAAP Measures

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

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

EBITDA is derived by adding interest expense, income tax expense, amortization of property and equipment, intangibles and pre-opening costs and non-controlling interest to net earnings for the period. EBITDA margin percentage is calculated by dividing EBITDA by sales

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

Supplemental Information

EBITDA Reconciliation

Canadian Dollars

Fiscal Year Ending December 31	2004 (1)(2)	2005	2006	2006 Pro Forma (3)
Earnings before Non-Controlling Interest	–	10,311,653	15,977,863	17,969,000
Loss on Disposal of Property & Equipment	–	267,400	–	–
Interest Expense	–	858,970	1,104,821	2,077,000
Amortization of Property & Equipment, Intangibles and Pre-Opening Costs	–	1,517,723	2,416,691	4,540,000
EBITDA	**–**	**12,955,746**	**19,499,375**	**24,586,000**
Sales	120,043,234	157,443,781	221,997,189	320,035,000
Cost of Sales, Administration & Operating Expenses	(110,983,227)	(144,488,035)	(202,497,814)	(295,449,000)
EBITDA	**9,060,007**	**12,955,746**	**19,499,375**	**24,586,000**

(1) A reconciliation to earnings before non-controlling interest in 2004, the year of Liquor Stores' IPO, is not possible due to certain unavailable information for the pre-IPO period. Accordingly, EBITDA for 2004 is calculated as Sales less Cost of Sales and Operating Expenses. EBITDA calculated in this manner is mathematically equivalent to the amount that would be calculated in the reconciliation table above for 2005, 2006 and 2006 Pro Forma

(2) For a reconciliation of EBITDA to net earnings for the years ended July 31, 2003, 2002 and 2001, see Liquor Stores' IPO prospectus dated September 17, 2004, a copy of which may be obtained from the SEDAR website at www.sedar.com or Liquor Stores' website at www.liquorstoresincomefund.ca

(3) Based on pro forma consolidated financial statements contained in Liquor Stores' offer and take-over bid circular filed on SEDAR and available at www.sedar.com or www.liquorstoresincomefund.ca