April 27, 2007

Liquor Stores Responds to Liquor Barn Trustees' Circular

Additional Founding Unitholders Sign Support Agreements, Increasing Voting Units Committed to the Offer to 7.5% of Total Voting Units Outstanding

EDMONTON, ALBERTA--(CCNMatthews - April 27, 2007) - Liquor Stores Income Fund ("Liquor Stores") (TSX:LIQ.UN) responded today to the announcement by Liquor Barn Income Fund ("Liquor Barn") (TSX:LBN.UN) that its Board of Trustees has recommended to unitholders that they not tender their units to the Liquor Stores offer.

Irv Kipnes, chief executive officer of Liquor Stores GP Inc. said, "We do not believe Liquor Barn unitholders will be persuaded by the arguments Liquor Barn's Board has made to support its recommendation and we remain confident in the success of our offer. Notwithstanding the initiation of its strategic review process, Liquor Barn appears to be positioning itself to remain independent. By doing so, Liquor Barn is asking unitholders to accept the risk that Liquor Barn can deliver greater value than we are providing under our offer, which includes a premium of over 30% to Liquor Barn's closing unit price on April 9, 2007, plus an immediate 2.6% distribution increase and the ongoing value we believe we can create by bringing our management expertise to the combined company. We see nothing in Liquor Barn's track record or future plans that would support the belief that Liquor Barn can deliver greater value than our offer provides."

"Over the past two weeks we have met with many of Liquor Barn's largest unitholders and have received their enthusiastic support. In addition to the immediate value provided by our offer, they are excited about the opportunities for enhanced growth and the realization of synergies, as well as Liquor Stores' proven track record of operational excellence, successful integration of acquisitions and delivery of value to unitholders."

"We are pleased to have also received the unanimous support of the independent equity analysts who have published reports on our offer," said Mr. Kipnes.

Liquor Stores announced that it has entered into support agreements with four additional founding unitholders of Liquor Barn, who together hold approximately 240,000 Liquor Barn units and special voting units representing an additional 1.7% of the voting interest in Liquor Barn. This is in addition to the support agreements entered into before the commencement of the offer with four of the founding unitholders of Liquor Barn who hold an aggregate of 808,942 special voting units (5.8% of the voting interest in Liquor Barn). As a result, the holders of approximately 7.5% of the voting interest in Liquor Barn have now formally committed to support the offer.

In reviewing the trustees' circular filed by Liquor Barn, Liquor Stores has noted a number of key points that warrant comment and clarification:

- The Liquor Stores offer is fair and fully reflects the intrinsic value of the Liquor Barn units. Liquor Barn suggests that the offer is inadequate and opportunistic and fails to recognize the "intrinsic value" of its units. Liquor Stores believes that this position is not supported by the facts. In particular, it must be noted that Liquor Stores first proposed to acquire Liquor Barn at a 0.53 unit for unit exchange ratio in February

2007. Liquor Barn rejected the Liquor Stores proposal on March 8, 2007, and then on March 20, 2007, Liquor Barn announced a dilutive equity financing at a price of $8.40 per unit. On that date, Liquor Stores' proposed offer had a value of $11.55 per unit, representing a premium of approximately 38%. The premium under the offer compares very favourably to the premiums in other trust acquisitions.

In light of these facts we fail to see how our offer could be considered to be either inadequate or opportunistic. Further, the offer is subject only to terms and conditions that are usual and customary for a transaction of this nature.

- The Liquor Stores offer fully considers and reflects Liquor Barn's growth strategy. Liquor Barn suggests the benefits of its growth strategy are not being reflected in the offer. Again, Liquor Stores believes that this position is not supported by the facts. Prior to commencement of our offer, Liquor Barn had already communicated its expected store growth to the market; accordingly, we believe these expectations are reflected in the trading price of the units to which we have offered in excess of a 30% premium. We believe our offer adequately considers Liquor Barn's ability to deliver future value. In this regard, we note that Liquor Barn's operating margin is significantly lower than Liquor Stores' operating margin. For the six months ended December 31, 2006, Liquor Barn achieved operating margins of only 5.9% compared to a 9.8% operating margin for Liquor Stores for the same period. This amounts to approximately $3.1 million or $0.31 per unit, based on Liquor Barn's results for the six months ended December 31, 2006, that would have been available for distribution to Liquor Barn unitholders had Liquor Barn achieved operating margins on par with those of Liquor Stores.

- Liquor Barn's presence in B.C. has not translated into superior value for Liquor Barn unitholders. Liquor Barn suggests that stores in B.C. are more profitable than those in Alberta and that its B.C. growth strategy has been more effective than Liquor Stores' growth strategy. This argument is not supported by either Liquor Barn's reported operating margins or its record of value creation for Liquor Barn unitholders when compared to that of Liquor Stores. Liquor Stores believes Liquor Barn has focussed its efforts on the B.C. market in lieu of the highly profitable Alberta market in part due to competition from Liquor Stores and because stores that might have been acquired by Liquor Barn in Alberta have instead been acquired by Devco, a development entity managed and controlled by Liquor Barn CEO Dr. John Mather.

- Liquor Stores is the logical buyer of Liquor Barn and the consideration being offered provides unitholders with a potential "triple bump" in value. Liquor Barn suggests the offer value is uncertain given the unit consideration being offered. Liquor Barn unitholders are receiving a significant takeover premium, an immediate increase in monthly cash distributions and an ownership position in the combined entity that management believes has the potential to increase in value as the businesses are combined and synergies are realized. Liquor Stores management, which has a proven track record of acquiring, integrating and improving performance of multiple store operations, has identified synergies in this potential transaction that it believes are readily attainable. Upon the successful completion of the transaction, Liquor Barn unitholders would have an ongoing ownership stake in the leading independent liquor retailer in B.C. and Alberta, led by a management team with a proven track record of creating value for unitholders.

Since its IPO, Liquor Stores has delivered unit price appreciation of 113% and a total return to unitholders of 148%. By comparison, from the time of its IPO until the commencement of Liquor Stores offer on April 9, 2007, Liquor Barn's unit price depreciated by 16%, resulting in a negative total return to unitholders of 11%.

- The interests of Liquor Barn's principal founder and largest unitholder, as well as other significant founding unitholders are not fully aligned with the interests of Liquor Barn's unitholders. Liquor Barn's

CEO and certain other founding unitholders who have rejected the offer have the potential to benefit from related party transactions with Liquor Barn that have value that is not available to all unitholders.

- Liquor Barn unitholders have the option of electing to exchange their Liquor Barn units on a tax-deferred "roll-over" basis for Canadian income tax purposes. This is contrary to statements made by Liquor Barn in its circular. As any purchase of the Liquor Barn units (whether for cash and/or unit consideration) under the offer is a taxable transaction for Canadian income tax purposes, Liquor Stores has made special efforts to ensure that its offer is tax neutral for as many Liquor Barn unitholders as possible. Specifically, Liquor Stores has structured its offer to include a merger transaction option. All Liquor Barn unitholders can elect this option and exchange their Liquor Barn units for Liquor Stores units on a tax-deferred "roll-over" basis for Canadian income tax purposes so as to defer the recognition of any gain (or loss) for Canadian income tax purposes.

Mr. Kipnes said, "In summary, we are confident that Liquor Barn unitholders will recognize the merits of this transaction and will tender to our offer."

About the Offer

Full details of the offer are included in the offer and takeover bid circular dated April 10, 2007, that is available to Liquor Barn unitholders by visiting www.sedar.com or the Liquor Stores' web site at www.liquorstoresincomefund.ca. The offer is open for acceptance until 10:00 p.m. Edmonton time on May 17, 2007.

Liquor Stores has engaged RBC Capital Markets as financial advisor and dealer manager in connection with the offer. Georgeson Shareholder Communications has been engaged as the information agent for the offer and CIBC Mellon Trust Company has been retained as the depositary for the offer.

Important Information for Liquor Barn Unitholders

The offer to purchase and takeover bid circular filed with the provincial securities commissions in Canada contain the terms and conditions of, and other important information relating to, the offer and should be read by Liquor Barn security holders in their entirety. The public is able to obtain at no charge the offer to purchase, takeover bid circular and all other documents relating to the offer on the system for electronic document analysis and retrieval (SEDAR) at www.sedar.com.

Questions and requests for assistance about the offer may be directed to Georgeson Shareholder Communications Canada, Inc., the Information Agent for the offer, toll-free at 1-866-656-4120. Unitholders can also consult their broker or financial advisor for further information.

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

United States Considerations

The offer is made for the securities of a Canadian trust. The offer is subject to Canadian disclosure requirements that are different from those of the United States. Financial statements included in the takeover bid circular, or incorporated by reference therein, as well as financial statements of Liquor Barn, have been prepared in accordance with Canadian accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for Liquor Barn unitholders in the U.S. to enforce their rights and any claim they may have arising under the U.S. federal securities laws, since Liquor Stores is located in a foreign country, and some or all of its officers (if any) and trustees and the officers and directors of Liquor Stores GP Inc. may be residents of a foreign country. Liquor Barn unitholders in the U.S. may not be able to sue a foreign trust or its officers (if any) or trustees, or the officers or directors of Liquor Stores GP Inc., in a foreign court for violations of U.S. securities laws. It may be difficult to compel a foreign trust and its affiliates, including its officers (if any) and trustees and the officers and directors of Liquor Stores GP Inc. to subject themselves to a U.S. court's judgment.

Liquor Barn unitholders in the U.S. should be aware that Liquor Stores may purchase Liquor Barn units otherwise than under the offer, such as in open market or privately negotiated purchases.

About Liquor Stores Income Fund

Liquor Stores Income Fund is a publicly traded Canadian income trust that participates in the retail liquor industry in Alberta and British Columbia through its 75.6% interest in Liquor Stores Limited Partnership, which operates the largest number of private liquor stores in Canada by number of stores (currently 105 stores). Liquor Stores Income Fund trades on the Toronto Stock Exchange under the symbol LIQ.UN. For additional information about Liquor Stores Income Fund, visit www.sedar.com and Liquor Stores Income Fund's website at www.liquorstoresincomefund.ca.

Forward-looking statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release 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 press release. 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, 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 press release are made as of the date of this press release 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.

Non-GAAP measures

Operating margin has been derived by adding interest expense, amortization of property and equipment, intangibles, pre-opening costs and, in the case of Liquor Barn, inventory fair value adjustment to net earnings before non-controlling interest, and dividing the result by sales. Operating margin as so defined is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of Liquor Stores' performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. Liquor Stores' method of calculating operating margin may differ from the methods used by other issuers. Therefore, Liquor Stores' operating margin may not be comparable to similar measures presented by other issuers, including Liquor Barn.

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