

**LIQUOR STORES INCOME FUND ENTERS INTO SUPPORT AGREEMENT WITH NINTH FOUNDER TO SUPPORT ITS OFFER TO ACQUIRE ALL OF THE OUTSTANDING TRUST UNITS OF LIQUOR BARN INCOME FUND**

**Edmonton, Alberta** – Liquor Stores Income Fund ("**Liquor Stores**") announced today that it entered into a support agreement (the "**Support Agreement**") on May 5, 2007 with 576316 Alberta Ltd. (the "**New Supporting Unitholder**") in relation to Liquor Stores' offer (the "**Offer**") to purchase all of the outstanding trust units ("**Liquor Barn Units**") (including Liquor Barn Units that may become outstanding after the date of the Offer upon the exercise of options, warrants or other conversion or exchange rights) of Liquor Barn Income Fund ("**Liquor Barn**") on the basis of 0.53 of a trust unit (a "**Liquor Stores Unit**") of Liquor Stores for each one Liquor Barn Unit (the "**Exchange Ratio**"). The Offer includes a merger ("**Merger**") transaction pursuant to which Liquor Stores would acquire all of the assets and liabilities of Liquor Barn immediately following the completion of the Offer and the Liquor Barn Units and special voting units ("**Liquor Barn Special Voting Units**") of Liquor Barn would be redeemed in exchange for Liquor Stores Units and special voting units ("**Liquor Stores Special Voting Units**") of Liquor Stores, respectively, on the basis of the Exchange Ratio.

The New Supporting Unitholder is the ninth founding unitholder of Liquor Barn to formally support Liquor Stores' Offer. The New Supporting Unitholder owns, in the aggregate: (i) 78,520 Liquor Barn Special Voting Units representing approximately 2.07% of the outstanding Liquor Barn Special Voting Units (and together with the Liquor Barn Units, approximately 0.56% of the outstanding Liquor Barn voting units (the "**Liquor Barn Voting Units**")); (ii) 39,263 exchangeable limited partnership units ("**Exchangeable LP Units**") of Liquor Barn Limited Partnership ("**Liquor Barn Partnership**") representing approximately 2.18% of the outstanding Exchangeable LP Units; and (iii) 39,257 subordinated exchangeable limited partnership units ("**Subordinated LP Units**") of Liquor Barn Partnership representing approximately 1.98% of the outstanding Subordinated LP Units.

The New Supporting Unitholder, together with the parties (the "**Other Supporting Unitholders**" and together with the New Supporting Unitholder, the "**Current Supporting Unitholders**") with which Liquor Stores has previously entered into support agreements, as disclosed in the press releases disseminated by Liquor Stores on April 10, 2007 and April 27, 2007, own, in the aggregate: (i) 76,645 Liquor Barn Units representing approximately 0.75% of the outstanding Liquor Barn Units; (ii) 1,050,663 Liquor Barn Special Voting Units representing approximately 27.75% of the outstanding Liquor Barn Special Voting Units (and together with the Liquor Barn Units, approximately 8.06% of the outstanding Liquor Barn Voting Units); (iii) 495,110 Exchangeable LP Units representing approximately 27.46% of the outstanding Exchangeable LP Units; and (iv) 555,553 Subordinated LP Units representing approximately 28.02% of the outstanding Subordinated LP Units.

The Exchangeable LP Units and the Subordinated LP Units are exchangeable for Liquor Barn Units on a one for one basis. Assuming the exchange of all Exchangeable LP Units and Subordinated LP Units owned by the Current Supporting Unitholders, the Current Supporting Unitholders would own, in the aggregate, 1,127,308 Liquor Barn Units, representing approximately 10.03% of the outstanding Liquor Barn Units on a partially diluted basis.

Pursuant to the Support Agreement, the New Supporting Unitholder has, among other things, agreed to: (i) deposit under the Offer or the Merger any Liquor Barn Units that it owns or controls; (ii) vote all Exchangeable LP Units, Subordinated LP Units, Liquor Barn Special Voting Units and Liquor Barn Units (collectively, "**Liquor Barn Securities**") it owns or controls in favour of any resolutions relating to the Offer and Merger; and (iii) effective on completion of the Offer and Merger, appoint Liquor Stores as

voting trustee of the Supporting Unitholder to exercise all voting rights attached to its Liquor Barn Securities. The New Supporting Unitholder will be released from its obligations under the Support Agreement if a transaction involving Liquor Barn is proposed by another party prior to the completion of the Offer pursuant to which holders ("**Liquor Barn Unitholders**") of Liquor Barn Units will receive a consideration per Liquor Barn Unit that is greater in value than the consideration under the Offer and Merger (a "**Superior Transaction**") unless Liquor Stores amends the Offer or proceeds with another transaction that provides for a consideration per Liquor Barn Unit that is at least equal in value to the consideration provided for under the Superior Transaction.

Liquor Stores entered into the Support Agreement with the New Supporting Unitholder to facilitate the Offer and Merger. The Offer is conditional upon, among other things, the number of Liquor Barn Units held by Liquor Barn Unitholders who elect to participate in the Offer or the Merger, together with the number of Liquor Barn Units held as of the expiry time of the Offer by or on behalf of Liquor Stores or its subsidiaries, if any, together with any separately voted Liquor Barn Voting Units, representing more than 66 2/3% of the then outstanding Liquor Barn Voting Units (the "**Minimum Condition**"). If the Minimum Condition is achieved and the other conditions precedent to the completion of the Offer are satisfied or waived by Liquor Stores, Liquor Stores' intention is to complete the Merger immediately following and conditional on the take-up under the Offer with the result that Liquor Stores would acquire all of the assets and liabilities of Liquor Barn and all Liquor Barn Units and Liquor Barn Special Voting Units would be redeemed for Liquor Stores Units and Liquor Stores Special Voting Units on the basis of the Exchange Ratio.

Notwithstanding any information or statement contained herein, the issuance of this news release is not an admission that an entity named in this news release owns or controls any securities described herein or is a joint actor with another entity named herein.

### **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 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 trades on the Toronto Stock Exchange under the symbol LIQ.UN. For additional information about Liquor Stores, visit [www.sedar.com](http://www.sedar.com) and Liquor Stores' website at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca).

For further information, please contact:

Liquor Stores Income Fund  
c/o Liquor Stores GP Inc.  
Suite 1120, 10235 – 101<sup>st</sup> Street  
Edmonton, Alberta T5J 3G1

Irv Kipnes, Chief Executive Officer  
(780) 944-9994 ext. 6

or

Patrick de Grace, Vice President Finance and Chief Financial Officer  
(780) 917-4179

[www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca)