

## **Liquor Stores and Liquor Barn Reach Agreement on Waiver of Liquor Barn's Unitholder Rights Plan**

EDMONTON, May 11, 2007 -- Liquor Stores Income Fund (TSX:LIQ.UN) announced today that Liquor Stores and Liquor Barn Income Fund (TSX:LBN.UN) have agreed that Liquor Barn will waive the application of its Unitholder Rights Plan to Liquor Stores' offer to acquire the outstanding trust units of Liquor Barn in order to allow Liquor Stores to take up trust units of Liquor Barn on or after May 28, 2007. In connection with this agreement, Liquor Stores has agreed to extend the expiry date of its offer from May 17, 2007 to May 28, 2007.

Liquor Stores has agreed to withdraw its application before the Alberta Securities Commission for a cease trade order in relation to the rights plan and a hearing scheduled for May 15, 2007 will be cancelled. Liquor Barn has also agreed not to proceed with a proposed related application in respect of Liquor Stores' offer.

"We are very pleased to have reached this agreement with Liquor Barn which provides a definitive date for the satisfaction of a key condition of our offer, and most importantly allows for the consideration of our offer by Liquor Barn unitholders," said Irv Kipnes, Liquor Stores' Chief Executive Officer. "As a result of the constructive manner in which this agreement has been reached, the Liquor Barn unitholders can now fully consider our offer and the benefits of combining our two income funds."

Liquor Stores will be sending formal notice of the extension to Liquor Barn unitholders early next week.

### **About the Offer**

Liquor Stores is offering Liquor Barn unitholders 0.53 of a trust unit of Liquor Stores in exchange for each Liquor Barn trust unit, which represents a value of \$11.30 per Liquor Barn trust unit, or a premium of approximately 34.6%, based on the closing prices of Liquor Stores units and the Liquor Barn units on the Toronto Stock Exchange on April 9, 2007. In addition to this premium, Liquor Barn unitholders would receive an immediate 2.6% increase in distributions plus an ongoing ownership stake in the combined company, which would be the leading independent liquor retailer in Alberta and British Columbia.

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](http://www.sedar.com) or the Liquor Stores' web site at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca).

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 depository 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](http://www.sedar.com).

Questions and requests for assistance about the offer may be directed to Geogeson 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.

### **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](http://www.sedar.com) and Liquor Stores Income Fund's website at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca).

### **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.

### **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](http://www.liquorstoresincomefund.ca), or on the SEDAR website at [www.sedar.com](http://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.

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