



FOR IMMEDIATE RELEASE

**LIQUOR STORES COMMENTS ON LIQUOR BARN'S FIRST QUARTER LOSS
AND ANNOUNCES MAILING OF NOTICE OF EXTENSION**

EDMONTON, May 17, 2007 -- Liquor Stores Income Fund (TSX:LIQ.UN) today commented on Liquor Barn Income Fund's (TSX:LBN.UN) recently disclosed loss for the first quarter of 2007 and weak financial performance over the past nine months.

In addition, Liquor Stores announced that it has mailed its Notice of Extension to Liquor Barn unitholders thereby formally extending its offer to acquire the trust units of Liquor Barn until 10:00 pm (Edmonton time) on May 28, 2007.

"We believe Liquor Barn's continued weak financial performance underscores the value of tendering to our offer," said Irv Kipnes, Liquor Stores' Chief Executive Officer.

"Notwithstanding recently announced store acquisitions, Liquor Barn indicated in its first quarter press release that it anticipates that it will only generate sufficient distributable cash in the remainder of 2007 to maintain its current monthly distribution level. We believe even that tepid outlook is ambitious given that Liquor Barn continues to distribute significantly more cash than it generates," said Mr. Kipnes.

Liquor Stores has consistently outperformed Liquor Barn:

- For the nine months ended March 31, 2007, Liquor Barn has generated distributable cash* of only \$4.1 million while declaring distributions of \$5.8 million, for a payout ratio* of 142.7%. For the same period, Liquor Stores has generated distributable cash* of \$13.6 million and declared distributions of \$13.2 million, for a significantly more conservative payout ratio of 97.1%.
- In the first quarter of 2007, Liquor Barn posted a loss of \$0.07 per trust unit and attained EBITDA as a percentage of sales* of only 2.5%. By comparison, Liquor Stores generated net income of \$0.17 per trust unit for the same period on the strength of EBITDA as a percentage of sales of 6.2%. (*For a reconciliation of non-GAAP measures, please see Schedule A.)
- Since its IPO, Liquor Stores has delivered unit price appreciation of 113% and a total return to unitholders of 148% (as of April 9, 2007). By comparison, from the time of its IPO until April 9, 2007, the last trading day prior to the commencement of Liquor Stores' offer, Liquor Barn's unit price depreciated by 16%, resulting in a negative total return to unitholders of 11%.

Upon the successful completion of the offer, Liquor Barn unitholders would continue to participate in the upside potential of the combined company under the leadership of Liquor Stores' management.

“Nine of Liquor Barn’s founding unitholders representing 1,127,000 units have committed to support our offer.”

“We encourage other unitholders to also tender their units before our offer expires on May 28th,” said Mr. Kipnes.

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.

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 current implied value of \$11.45 per Liquor Barn trust unit, or a premium of approximately 36.3%, based on the Toronto Stock Exchange closing prices of the Liquor Stores units on May 16, 2007 and the Liquor Barn units on April 9, 2007.

Full details of the offer are included in the offer and takeover bid circular dated April 10, 2007 and the notice of extension dated May 14, 2007, both of which are available to Liquor Barn unitholders by visiting www.sedar.com or the Liquor Stores' web site at 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 depositary for the offer.

Important Information for Liquor Barn Unitholders

The offer to purchase and takeover bid circular and notice of extension 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, notice of extension and all other documents relating to the offer on the system for electronic document analysis and retrieval (SEDAR) at www.sedar.com.

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 107 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.

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, 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**

References to "distributable cash" are to cash available for distribution to unitholders in accordance with the distribution policies of Liquor Stores or Liquor Barn, as the case may be. Management believes that, in addition to income or loss, cash available for distribution before debt service, changes in working capital, capital expenditures and income taxes is a useful supplemental measure of performance.

Distributable cash is a measure generally used by Canadian open-ended income trusts as an indicator of financial performance. As one of the factors that may be considered relevant by unitholders and prospective investors is the cash distributed by an income trust relative to the price of the income trust's trust units, management believes that distributable cash is a useful supplemental measure that may assist unitholders and prospective investors in assessing an investment in Liquor Stores. For a reconciliation of distributable cash to cash provided by operating activities please see Schedule "A".

EBITDA has been derived by adding interest expense, amortization of property and equipment, intangibles and pre-opening costs to net earnings before non-controlling interest. EBITDA as a percentage of sales is calculated by dividing EBITDA by sales. For the calculation of EBITDA and EBITDA as a percentage of sales please see Schedule "A".

"Payout ratio" has been calculated by dividing cash distributions declared by distributable cash. For the calculation of payout ratio please see Schedule "A".

EBITDA, EBITDA as a percentage of sales, distributable cash and payout ratio are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that EBITDA, EBITDA as a percentage of sales, distributable cash and payout ratio should not replace net earnings or loss (as determined in accordance with GAAP) or cash provided by operating activities (as determined in accordance with GAAP) as an indicator of an income trust's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. Liquor Store's method of calculating EBITDA, EBITDA as a percentage of sales, distributable cash and payout ratio may differ from the methods used by other issuers. Therefore, the EBITDA, EBITDA as a percentage of sales, distributable cash and payout ratios in this news release may not be comparable to similar measures presented by other issuers.

Schedule "A" - Reconciliation of Non-GAAP Measures to Nearest GAAP Equivalent

	Liquor Barn		Liquor Stores	
	Three months ended March 31, 2007	Nine months ended March 31, 2007	Three months ended March 31, 2007	Nine months ended March 31, 2007
Sales	\$31,659,545	\$111,125,518	\$51,809,129	\$183,570,105
Earnings (loss) before non-controlling interest	\$(697,159)	\$859,672	\$2,383,498	\$13,267,748
Interest expense	582,420	1,193,886	108,425	776,615
Amortization	919,728	2,652,831	732,484	2,106,384
EBITDA	\$804,989	\$4,706,389	\$3,224,407	\$16,150,747
EBITDA as a percentage of sales	2.5%	4.2%	6.2%	8.8%
Cash distributions	\$1,937,757	\$5,813,271	\$4,843,600	\$13,159,415
Cash flow from operating activities	\$(1,243,100)	\$3,464,615	\$2,446,889	\$8,923,447
Net change in non-cash working capital items	1,820,710	1,183,365	717,256	6,411,549
Interest expense	278,939	890,405		
Interest paid	(308,971)	(802,237)		
Unit based compensation			(227,237)	(1,227,237)
Provision for non-growth property and equipment	(534,601)	(661,244)	(133,341)	(557,090)
Distributable cash	\$12,977	\$4,074,904	\$2,803,567	\$13,550,669
Payout ratio		142.7%		97.1%

FOR FURTHER INFORMATION PLEASE CONTACT:

Corporate contacts:

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