



**FOR IMMEDIATE RELEASE**

**LIQUOR STORES URGES LIQUOR BARN UNITHOLDERS TO ACCEPT ITS OFFER,  
REJECT MATHER'S EMPTY PROMISES**

EDMONTON, May 25, 2007 -- Liquor Stores Income Fund (TSX:LIQ.UN) today commented on the plan announced by Dr. John Mather, Chief Executive Officer of Liquor Barn GP Inc., to oust the board of trustees of Liquor Barn Income Fund (TSX:LBN.UN) and lead his own effort to “enhance value for Liquor Barn unitholders.”

Liquor Stores' Chief Executive Officer, Irv Kipnes, said, “Liquor Barn has lost money, shown poor operating performance and declined in market value with Dr. Mather as its Chief Executive Officer. Dr. Mather and Liquor Barn’s Board of Trustees have been actively engaged in searching out a potential alternative to our offer for at least six weeks now and they have nothing to show for it despite Dr. Mather’s claim that ‘between seven and ten’ potential suitors had signed confidentiality agreements. There is simply no credible reason to believe that an alternative offer will suddenly emerge or that under the status quo Dr. Mather will do a better job managing Liquor Barn in the future than he has in the past.”

“We have made a compelling offer. It has the unanimous support of every equity analyst who has published a report on it. Dr. Mather has no offer, no independent public support, and no track record of creating value for unitholders. Unitholders should tender to our offer before it expires Monday night,” said Mr. Kipnes.

Liquor Stores believes Dr. Mather’s promises to enhance returns for unitholders’ are disingenuous and lack credibility:

- Dr. Mather has been Liquor Barn’s CEO since before its initial public offering. He has had ample opportunity to “expedite implementation of [Liquor Barn]’s growth strategies to increase revenues and margins as he now promises to do. Neither he nor his strategies have been effective in the past; why should unitholders expect them to be effective now?
- Dr. Mather suggests he would work with independent trustees to terminate his non-arm's length Devco development deal “as it is no longer required for the Liquor Barn growth strategy.” If it is no longer required, why doesn’t he terminate it now? And why must he work with future “independent trustees” he intends to elect rather than with the trustees in place today? Liquor Barn unitholders would be well advised not to rely on some future group of unknown trustees hand-picked by Dr. Mather to terminate a structure that has the potential to enrich him personally at the expense of the Fund.
- Dr. Mather claims he is buying units of Liquor Barn “as a businessman” at prices ranging from \$11.39 to \$11.49 per unit because he believes they are undervalued, yet he did not participate in Liquor Barn’s April 10, 2007 equity offering at \$8.40 per unit. Dr Mather is simply attempting to block a transaction that would benefit all public unitholders so that he can preserve his job and the personal benefits he may derive from Devco’s special relationship with Liquor Barn.

Liquor Stores' offer carries a premium of nearly 40% to Liquor Barn's pre-bid price, an immediate distribution increase and an ongoing ownership stake in the leading independent liquor retailer in British Columbia and Alberta. Liquor Stores has delivered unit price appreciation of 113% and a total return to unitholders of 148% from its IPO to April 9, 2007.

"Liquor Barn unitholders should understand there can be no assurance that the Liquor Barn units, which were trading at a price of \$8.40 immediately before our offer, will retain their current price if our offer is not completed," said Mr. Kipnes. "We urge Liquor Barn unitholders to tender their units to our offer before it expires."

### **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 \$11.70 per Liquor Barn trust unit, or a premium of approximately 39.3%, based on the Toronto Stock Exchange closing prices of the Liquor Stores units on May 24, 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](http://www.sedar.com) or the Liquor Stores' web site at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca). The offer expires at 10:00 pm (Edmonton time) on May 28, 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 depository for the offer.

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.

### **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](http://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](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.

FOR FURTHER INFORMATION PLEASE CONTACT:

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