



FOR IMMEDIATE RELEASE

LIQUOR STORES AND LIQUOR BARN AGREE ON ENHANCED OFFER

- Liquor Barn board of trustees unanimously recommends acceptance of enhanced offer**
- Exchange ratio increased to 0.57 of a Liquor Stores unit for each Liquor Barn unit**
- Offer extended to June 7, 2007**

Edmonton, Alberta – (May 26, 2007) – Liquor Stores Income Fund (TSX: LIQ.UN) and Liquor Barn Income Fund (TSX: LBN.UN) announced today that they have entered into a support agreement pursuant to which Liquor Barn has agreed to support an enhanced Liquor Stores offer to acquire all of the outstanding trust units of Liquor Barn and the board of trustees of Liquor Barn has agreed to recommend acceptance of the enhanced offer to its unitholders. The transaction establishes Liquor Barn's enterprise value at approximately \$222 million, based on the closing price of Liquor Stores' trust units on May 25, 2007.

The enhanced terms of the Liquor Stores offer include an increase in the exchange ratio to 0.57 of a unit of Liquor Stores for each unit of Liquor Barn. The increased exchange ratio currently values the Liquor Barn units at \$12.45, a premium of 48.2% above the closing price of the Liquor Barn units of \$8.40 on the Toronto Stock Exchange on April 9, 2007, the day before Liquor Stores announced and commenced the offer. In addition, under the increased exchange ratio Liquor Barn unitholders will realize a 10.3% distribution increase following completion of the offer. The closing price of the Liquor Stores units on the Toronto Stock Exchange on May 25 was \$21.84. Liquor Barn has approximately 14 million units outstanding (including exchangeable and subordinated limited partnership units and options to purchase Liquor Barn units).

"Unitholders of both Liquor Stores and Liquor Barn can be pleased with the terms of this enhanced offer," said Irv Kipnes, Chief Executive Officer of Liquor Stores. "We urge Liquor Barn unitholders to tender their units to our offer and participate in the future growth of a larger, stronger trust and the leading independent liquor store retailer in Alberta and British Columbia."

Robert King, Chairman of the board of trustees of Liquor Barn, said: "After having conducted a thorough review of the strategic alternatives available to Liquor Barn, we are pleased to be able to unanimously recommend this enhanced offer to our unitholders. Based on our evaluation of the enhanced offer, including the opinion of our independent financial advisors, we believe that this transaction is in the best interests of our unitholders. The terms of the agreed offer provide fair value today and significant potential for the future."

In addition to entering into a support agreement with Liquor Barn, Liquor Stores has also entered into a support agreement with The Frosty Mug Pub Ltd., Paul Esposito's Restaurant (Abbotsford) Ltd. and Paul Esposito (together, the "Esposito Group"). The Esposito Group, which is a founding unitholder of Liquor Barn, owns, in the aggregate, 10,200 Liquor Barn units and 674,168 Liquor Barn special voting units representing approximately 4.9% of the outstanding Liquor Barn voting units. The Esposito Group, together with the other founding unitholders of Liquor Barn who have agreed to support the offer, own, in the aggregate, 86,845 Liquor Barn units and 1,724,831 Liquor Barn special voting units representing approximately 13% of the outstanding Liquor Barn voting units.

Pursuant to the support agreement, Liquor Stores has agreed to extend the expiry time of the offer to 10:00 p.m. (Edmonton time) on June 7, 2007. The offer was scheduled to expire at 10:00 p.m. (Edmonton time) on May 28, 2007.

Full details of the enhanced Liquor Stores offer are included in a Notice of Change, Variation and Extension from Liquor Stores that will be filed on SEDAR (www.sedar.com) and that will be made available on Liquor Stores' website (www.liquorstoresincomefund.ca) and on Liquor Barn's website (www.liquorbarn.ca). The Notice of Change, Variation and Extension will be mailed shortly to Liquor Barn unitholders.

Liquor Barn's board of trustees has unanimously determined that the consideration per unit under the enhanced offer is fair and in the best interests of Liquor Barn and its unitholders and, accordingly, unanimously recommends that unitholders tender their units to the enhanced offer. Liquor Barn's financial advisor, TD Securities Inc., has provided an opinion to the board that the consideration to be received by Liquor Barn unitholders in connection with the enhanced offer is fair, from a financial point of view, to such unitholders.

Under the support agreement, Liquor Barn has agreed to cease any ongoing discussions, and not to solicit or engage in any further discussions relating to a competing proposal, except in limited circumstances and provide Liquor Stores with a right to match any third party offer. The agreement also requires Liquor Barn to pay a break fee of \$6.5 million in certain circumstances and waive its unitholder rights plan on the business day preceding the expiry date of the offer.

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, notice of extension and notice of change, variation and 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, notice of change, variation and 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.

Liquor Barn Income Fund

Liquor Barn Income Fund is a publicly traded Canadian income fund that owns a 72.4% interest in Liquor Barn Limited Partnership ("Liquor Barn LP"). Liquor Barn LP, which currently operates 62 liquor stores in Alberta and 19 in British Columbia, is a leading operator of private liquor stores in Western Canada. Liquor Barn's units trade on the Toronto Stock Exchange under the symbol LBN.UN. Additional information about Liquor Barn Income Fund is available at www.liquorbarn.ca or www.sedar.com.

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 U.S. companies.

It may be difficult for Liquor Barn unitholders in the United States 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 United States 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 United States 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, Liquor Stores LP, Liquor Barn Income Fund and Liquor Barn 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 and Liquor Barn 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 the Annual Information Forms and other documents that Liquor Stores Income Fund and Liquor Barn Income Fund have each filed with Canadian securities regulatory authorities, copies of which are available from Liquor Stores Income Fund and Liquor Barn Income Fund (as applicable) directly, or their respective websites (www.liquorstoresincomefund.ca and www.liquorbarn.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 neither Liquor Stores Income Fund nor Liquor Barn Income Fund assumes any 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:

Liquor Stores Income Fund

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Liquor Barn Income Fund

Corporate contacts:

Liquor Barn Income Fund
www.liquorbarn.ca

Robert King
Chairman of the Board of Trustees
(780) 462-0190

Unitholder information:

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1-800-749-9890