



LIQUOR STORES INCOME FUND

[FOR IMMEDIATE RELEASE]

**LIQUOR STORES INCOME FUND REPORTS 2009 FOURTH QUARTER
AND FULL YEAR RESULTS**

EDMONTON, ALBERTA, March 3, 2010 – Liquor Stores Income Fund (the “Fund”) (TSX: LIQ.UN) today reported its results for the fourth quarter and year ended December 31, 2009.

“In November of 2009 we completed the acquisition of an eight store retail liquor store chain in Kentucky. With strong successful operations in Alaska and Kentucky now established, the Fund is well-positioned to expand in these and other US markets where we expect a significant portion of the Fund’s future growth to occur. As awareness of the Fund’s acquisitions in the US increases, we are seeing more opportunities come to the Fund,” said Rick Crook, President and CEO of Liquor Stores GP Inc., administrator of the Fund.

“In 2009 we reached the milestone of five years of operations as a publicly-traded trust, and we are proud of achieving revenue growth of nearly 250% since 2005, our first full year of operations. Despite very challenging economic conditions we increased sales, gross margins and operating margins for both the fourth quarter of 2009 and the full year. We benefited from strategic decisions to expand in the US, control expenses, close marginal stores at the end of 2008 and reduce our exposure to higher-risk wholesale customers.”

Continued Mr. Crook, “For the year, distributable cash before non-recurring items increased to \$1.81 per unit compared with \$1.72 in 2008, but was lower for the fourth quarter of 2009 compared with a year earlier. Annual distributable cash per unit remained well above our cash distributions of \$1.62 per unit.”

For 2010 the Fund expects further increases in sales, given the benefit of a full year of operations for the 13 stores that were acquired or developed during 2009. In addition, the Fund will continue to maintain tight control over costs. The Fund expects to finalize its plans with respect to the impending 2011 taxation of income trusts later in 2010.

FULL YEAR ENDED DECEMBER 31, 2009

FULL YEAR SALES

Sales for all 236 stores totalled \$541.0 million in 2009, up 12.0% from \$482.9 million for the 223 stores operated a year earlier. As with the fourth quarter comparison, the gain was mainly attributable to growth in the US, which more than offset a decline in Canadian sales.

US sales totalled \$96.2 million in 2009, up 572.7% from \$14.3 million a year earlier. US sales represented 17.8% of total 2009 sales, up from 3.0% of total sales a year earlier. The principal reason for the increase was the full-year contribution in 2009 from Alaska, compared with a two-month contribution in 2008. Also, the newly acquired Kentucky stores contributed sales for two and a half months in 2009. The addition of the Kentucky stores approximately doubles the Fund’s US revenues.

Canadian sales totalled \$444.9 million in 2009, down 5.1% from \$468.6 million a year earlier. The decrease in sales was primarily affected by weakness in the western Canadian resource-based economy. Canadian sales represented 82.2% of total sales in 2009, down from 97.0% of total sales in 2008 reflecting the growth and contribution of sales from US operations in 2009.

Same store sales for 2009, which only involved Canadian stores, were \$347.2 million, down 5.4% from \$367.2 million for 2008. The decline was attributable to the weak economy in resource-dependent communities such as Fort McMurray, Red Deer, Grande Prairie, Edson, Slave Lake, and certain parts of Vancouver Island. Sales for historically high-volume long weekends were down throughout 2009 due to poor spring and early summer weather and less aggressive promotional pricing in October and November 2009.

The Fund's wholesale business, all in Canada, totalled \$58.1 million in 2009, down 15.5% from \$68.8 million in 2008. The wholesale business mainly involves sales to restaurants and pubs. A deliberate decision was made to reduce this business segment because it provides relatively low margins and is associated with high administrative costs and credit risks.

FULL YEAR MARGINS

The Fund's adjusted gross margin in 2009 was \$137.2 million, up 12.7% from \$121.7 million in 2008. Adjusted gross margin excludes \$0.7 million in respect of inventory fair value adjustments related to acquisitions in 2009, compared with \$0.4 million in 2008.

Adjusted gross margin as a percentage of sales was 25.4% in 2009, up from 25.2% in 2008. The increase was attributable to less aggressive promotional pricing in October and November 2009 and the beneficial impact, early in 2009, of the Government of Alberta's liquor mark-up increase. Alberta increased its liquor mark-up in April 2009 and unexpectedly rescinded the increase in July 2009. For competitive reasons, the Fund was unable to pass the full amount of the mark-up increase on to customers during the third and fourth quarters of 2009 for liquor that was purchased between April and July. However, the mark-up should not be a factor in 2010 because the Fund has essentially depleted its inventory of alcoholic beverages purchased prior to the mark-up rescission.

Adjusted operating and administrative expense was \$90.6 million in 2009, up 13.1% from \$80.1 million a year earlier. As a percentage of sales, this expense was 16.8% in 2009, virtually consistent with 16.6% a year earlier. In Canada, the expense decline is attributable to the closure of under-performing stores at the end of 2008 and other store and head office cost saving measures initiated in 2009. In the US, this expense increased due to the full-year operation of Brown Jug stores in 2009, compared with only two months of 2008, and due to the addition of Kentucky operations mid-way through October 2009.

Adjusted operating margin for 2009 was \$46.6 million, up 12.0% from \$41.6 million in 2008. As a percentage of sales, operating margin was 8.6%, consistent with prior year. Adjusted operating margin for Canadian stores for 2009 was \$40.6 million or 9.1% as a percentage of sales compared with \$40.4 million or 8.6% as a percentage of sales for 2008. The Canadian improvement, as a percentage of sales, reflected measures taken by the Fund to control expenses, the closure of marginal stores at the end of 2008 and reduced exposure to wholesale customers.

The US adjusted operating margin in 2009 was \$6.0 million or 6.3% as a percentage of sales, which was in line with management's expectations. Adjusted operating margin in 2008 was 2% higher, but reflected only two months of operations during the peak selling season, which was not indicative of a full year of operations.

Operating margin excluding non-recurring items was \$47.7 million in 2009, up 8.9% from \$43.8 million a year earlier.

FULL YEAR DISTRIBUTABLE CASH AND DISTRIBUTIONS

Distributable cash per unit before non-recurring items was \$1.81 for 2009, up from \$1.72 for 2008. Distributable cash including non-recurring items for 2009 and 2008 was \$1.76 per unit.

Distributable cash excluding non-recurring items was \$40.9 million in 2009, up 5.7% from \$38.7 million in 2008. Distributable cash including non-recurring items was constant at \$39.6 million for 2009 and 2008.

During the year ended December 31, 2009, the Fund declared distributions of \$1.62 per unit, consistent with the prior year.

FULL YEAR EARNINGS AND EARNINGS PER UNIT

Net earnings before non-controlling interest and before a non-cash income tax charge were \$27.6 million in 2009, up 5.3% from \$26.2 million a year earlier.

The Fund's net earnings before non-controlling interest were \$29.0 million in 2009, up 20.8% from \$24.0 million a year earlier. There was a non-cash future income tax recovery in 2009 of \$1.4 million, which was a result of the amortization of and additions to goodwill, property, plant and equipment, and intangible assets. The future tax expense for 2008 was \$2.2 million.

Net earnings for 2009 were \$23.7 million, up 25.3% from \$18.9 million in 2008. Basic earnings per unit were \$1.29 in 2009, up 25.2% from \$1.03 a year earlier. Diluted earnings per unit were \$1.27 in 2009, up 23.3% from \$1.03 in 2008.

Other comprehensive loss included \$3.4 million in currency translation losses from US operation in 2009. In 2008, the Fund had a currency translation gain of \$1.4 million.

FOURTH QUARTER ENDED DECEMBER 31, 2009

FOURTH QUARTER SALES

Sales for all 236 stores totalled \$155.5 million in the fourth quarter of 2009, up 8.7% from \$143.0 million for the 223 stores operated in the same period a year earlier. The increase was mainly attributable to growth in US operations, where the Fund has made two significant acquisitions of stores since the third quarter of 2008. The US growth more than offset a decline in Canadian sales, which were primarily affected by weakness in the western Canadian resource-based economy.

US sales totalled \$38.0 million, all from Alaska and Kentucky, in the fourth quarter of 2009. This represented an increase of 165.7% from \$14.3 million a year earlier, when sales were limited to newly acquired Alaska stores. US sales represented 24.4% of total Fund sales in the fourth quarter of 2009, up from 10.0% a year earlier.

The main reason for the large increase was the contribution of 19 Alaska stores for all three months of the fourth quarter of 2009, compared with only the final two months of the fourth quarter of 2008, and the contribution of the eight Kentucky stores for the final two and a half months of 2009, compared with no contribution a year earlier. The Alaska stores include 20 Brown Jug outlets, of which 19 were acquired in November 2008 and one was opened during the fourth quarter of 2009. The Kentucky stores consist of eight Liquor Barn outlets, all acquired in October 2009.

Canadian sales, all in Alberta and British Columbia, totalled \$117.6 million in the fourth quarter of 2009, down 8.6% from \$128.7 million a year earlier. Canadian sales represented 75.6% of total sales in the fourth quarter of 2009, down from 90.0% of sales a year earlier. Contributing to the decline were the challenging economy of resource-based communities, a temporary change in promotional pricing and the strategic decision to reduce the Fund's wholesale business.

Same store sales, which only involved Canadian stores, totalled \$100.7 million in the fourth quarter of 2009, down 7.8% from \$109.2 million a year earlier. The weak resource economy in Alberta and British Columbia and the temporary change in promotional pricing were the main factors in the decline. The Fund's Canadian stores offered less aggressive promotional pricing than usual during October and November 2009, leading to reduced sales especially during two long weekends. When stores resumed their usual promotional pricing practices in December 2009, same store sales recovered to the trend experienced in the first nine months of 2009, or approximately a 4.5% decline from 2008.

The Fund's wholesale business, all in Canada, totalled \$14.5 million in the fourth quarter of 2009, down 17.6% from \$17.6 million a year earlier.

FOURTH QUARTER MARGINS

The Fund's adjusted gross margin was \$39.4 million in the fourth quarter of 2009, up 5.3% from \$37.4 million a year earlier. Adjusted gross margin excludes \$0.5 million in respect of inventory fair value adjustments related to acquisitions for the fourth quarter of 2009, compared with \$0.4 million for the fourth quarter of 2008.

Adjusted gross margin as a percentage of sales was 25.3% in the fourth quarter of 2009, down from 26.2% a year earlier. The main reason for the decline was the residual impact of a rescinded liquor mark-up increase by the Government of Alberta discussed above under full year margins. In the fourth quarter of 2009 the negative impact from the mark-up more than offset the margin-related benefit of less aggressive promotional pricing in October and November 2009.

Adjusted operating and administrative expense was \$25.0 million in the fourth quarter of 2009, up 6.8% from \$23.4 million a year earlier reflecting the growth in number of stores. As a percentage of sales, operating and administrative expense was down 0.4% in the fourth quarter of 2009 from a year earlier. In Canada, the expense declined because of cost savings from the closure of under-performing stores at the end of 2008 and other store and head office cost saving measures initiated in 2009. In the US, the expense increased due to the added operation of Brown Jug stores for the entire quarter of 2009, compared with only two months of 2008, and due to the addition of Kentucky operations mid-way through October 2009.

Adjusted operating margin was \$14.4 million in the fourth quarter of 2009, up 2.9% from \$14.0 million a year earlier. The adjusted operating margin excludes \$0.5 million in pre-opening costs charged to operating and administrative expenses in the fourth quarter of 2009, compared with \$0.4 million in the fourth quarter of 2008.

The Canadian adjusted operating margin was \$11.3 million or 9.6% as a percentage of sales in the fourth quarter of 2009 compared with \$12.8 million or 10.0% as a percentage of sales a year earlier. A combination of factors including gross margin gains from less aggressive promotional pricing in October and November, offset by the impact of the Government of Alberta's liquor mark-up changes earlier in the year, resulted in the decrease in adjusted operating margin as a percentage of sales.

The US adjusted operating margin in the fourth quarter of 2009 was \$3.1 million or 8.2% as a percentage of sales compared with \$1.2 million or 8.3% for the fourth quarter of 2008. The increase is due in part to the increase in number of stores. Both the 2008 acquisition of Brown Jug stores and the 2009 acquisition of Liquor Barn (KY) stores were completed in the fourth quarter peak selling season. Compared with Canadian stores, the Fund's US stores typically have lower gross margins as a percentage of sales and higher sales volume.

Operating margin before non-recurring items was \$14.9 in the fourth quarter of 2009, down 3.9% from \$15.5 million a year earlier. Non recurring items for both periods include professional and consulting fees for litigation matters relating to the 2007 acquisition of Liquor Barn Income Fund. In addition, for the fourth quarter of 2009 non-recurring items include employee severance provisions, while for the fourth quarter of 2008 non-recurring items include costs for stores closed during the quarter.

FOURTH QUARTER DISTRIBUTABLE CASH AND DISTRIBUTIONS

Distributable cash excluding non-recurring items was \$12.6 million in the fourth quarter of 2009, down 8.7% from \$13.8 million a year earlier. Distributable cash including non-recurring items was \$11.9 million in the fourth quarter of 2009, down 23.7% from \$15.6 a year earlier.

Distributable cash per unit before non-recurring items was \$0.56 in the fourth quarter of 2009, down 8.2% from \$0.61 a year earlier. Distributable cash was down due primarily to retail price reductions which accompanied the reversal of the Government of Alberta's liquor mark-up increase earlier in the year. Distributable cash after non-recurring items was \$0.53 per unit in the fourth quarter of 2009, down 23.2% from \$0.69 a year earlier. For the year ended December 31, 2009, distributable cash was consistent with 2008 at \$1.76 per unit.

The Fund declared distributions of \$0.41 per unit in the fourth quarter of 2009, consistent with a year earlier.

FOURTH QUARTER EARNINGS AND EARNINGS PER UNIT

Net earnings before non-controlling interest and before a non-cash income tax charge were \$8.2 million in the fourth quarter of 2009, down 15.5% from \$9.7 million a year earlier.

Net earnings before non-controlling interest were \$9.8 million in the fourth quarter of 2009, down 11.7% from \$11.1 million a year earlier. There was a non-cash future income tax recovery in the fourth quarter of 2009 of \$1.6 million, which was a result of the amortization of and additions to goodwill, property, plant and equipment, and intangible assets. The future tax recovery for the same period in 2008 was \$1.4 million.

Net earnings were \$8.2 million in the fourth quarter of 2009, down 10.9% from \$9.2 million a year earlier. Basic earnings per unit were \$0.45 in the fourth quarter of 2009, down 10.0% from \$0.50 a year earlier. Diluted earnings per unit were \$0.43 in the fourth quarter of 2009, down 14.0% from \$0.50 in 2008.

Other comprehensive loss included \$0.1 million in currency translation losses from US operations in the fourth quarter of 2009.

Liquor Stores Summary Financial Results, three and twelve months ended December 31, 2009 with comparisons to 2008

(000) except per unit amounts	Three months ended		Year ended	
	December 31, 2009	December 31, 2008 (restated – note 1)	December 31, 2009	December 31, 2008 (restated – note 1)
Sales	\$ 155,529	\$ 143,015	\$ 541,049	\$ 482,915
Operating margin before non-recurring items	\$ 14,945	\$ 15,495	\$ 47,743	\$ 43,837
Operating margin	\$ 14,426	\$ 14,010	\$ 46,607	\$ 41,557
Earnings before non-controlling interest (and before non-cash tax charge)	\$ 8,236	\$ 9,703	\$ 27,644	\$ 26,189
Earnings before non-controlling interest	\$ 9,836	\$ 11,090	\$ 29,048	\$ 23,995
Earnings	\$ 8,220	\$ 9,187	\$ 23,729	\$ 18,856
Diluted earnings per unit	\$ 0.43	\$ 0.50	\$ 1.27	\$ 1.03
Distributable cash (before non-recurring items)	\$ 12,579	\$ 13,845	\$ 40,911	\$ 38,673
Distributable cash (after non-recurring items)	\$ 11,909	\$ 15,608	\$ 39,625	\$ 39,641
Distributable cash per unit (before non-recurring items)	\$ 0.56	\$ 0.61	\$ 1.81	\$ 1.72
Distributable cash per unit (after non-recurring items)	\$ 0.53	\$ 0.69	\$ 1.76	\$ 1.76
Cash distributions per unit	\$ 0.41	\$ 0.41	\$ 1.62	\$ 1.62
Diluted average units outstanding	22,533	18,351	22,532	18,358
Stores in operation at December 31	236	223	236	223

(1) Information for the quarters has been restated in accordance with the adoption of CICA Emerging Issues Committee Abstract #171 Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through and CICA Handbook Section 3064 – Goodwill and intangible assets.

The Management's Discussion and Analysis (MD&A) as well as the complete financial statements and notes for the fourth quarter and year ended December 31, 2009 are available on the Fund's website at this link: www.liquorstoresincomefund.ca and on the SEDAR website at www.sedar.com.

Conference Call

Liquor Stores Income Fund will conduct an investor conference call on Thursday, March 4, 2010 to discuss results for the quarter and year ended December 31, 2009. The conference call will take place at 9 a.m. MT. Participants in the call include Rick Crook, President and CEO and Pat de Grace, Vice-President, Finance and Chief Financial Officer.

To take part in the call, please dial 416-340-8527, or toll-free 1-877-240-9772. An archived recording of the conference call will be available approximately one hour after the completion of the call until March 11, 2010, by dialling 416-695-5800, or toll-free 1-800-408-3053. The required passcode is 7402633. An archived recording of the call will also be available on the Liquor Stores Income Fund website.

About Liquor Stores Income Fund

The Fund is a publicly traded Canadian income fund that participates in the retail liquor industry in Alberta, British Columbia, Alaska and Kentucky through its 82.2% interest in Liquor Stores Limited

Partnership. Management believes the Fund is Alberta's largest operator of private liquor stores by both number of stores and sales revenue. The Fund currently operates 236 stores. The trust units and 6.75% convertible subordinated debentures of the Fund trade on the Toronto Stock Exchange under the symbols "LIQ.UN" and "LIQ.DB", respectively.

Additional information about Liquor Stores Income Fund is available at www.sedar.com and the Fund's website at www.liquorstoresincomefund.ca.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization and references to "distributable cash" are to cash available for distribution to unitholders in accordance with the distribution policies of the Fund. Management believes that, in addition to income or loss, EBITDA, distributable cash, distributable cash before non-recurring items, and operating margin before non-recurring items are useful supplemental measures of performance. Distributable cash of the Fund is a measure generally used by Canadian open-ended trusts as an indicator of financial performance. One of the factors that may be considered relevant by unitholders and prospective investors is the cash distributed by the Fund relative to the price of the Fund's trust units. Management believes that distributable cash of the Fund is a useful supplemental measure that may assist unitholders and prospective investors in assessing an investment in the Fund.

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

Same store sales include sales for stores that have been open 12 full months at the beginning of the reporting period and exclude stores which have significant wholesale business. Sales for five stores for the year ended December 31, 2009 have been excluded from same store sales where new Liquor Depot stores were opened within close proximity to existing stores.

Operating margin has been derived by adding amortization of inventory fair value adjustments, interest expense, non-recurring items, pre-opening costs, amortization of property and equipment, and intangibles to net earnings before non-controlling interest. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Operating margin and operating margin as a percentage of sales are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin and operating margin as a percentage of sales should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating operating margin and operating margin as a percentage of sales may differ from the methods used by other issuers. Therefore, the Fund's operating margin and operating margin as a percentage of sales may not be comparable to similar measures presented by other issuers.

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 future financial position, cash distributions, sales, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Fund or Liquor Stores Limited Partnership. Specific forward-looking statements contained in this news release include, among others, statements regarding the anticipated future operational and financial performance of the business acquired pursuant to the Brown Jug acquisition. 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 the 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 Fourth Quarter 2009 Management's Discussion and Analysis.

The information contained in this press release, including the information set forth under "Risk Factors" in the Fourth Quarter 2009 Management's Discussion and Analysis, identifies additional factors that could affect the operating results and performance of the Fund and Liquor Stores Limited Partnership.

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 the 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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