LIQUOR STORES INCOME FUND

[FOR IMMEDIATE RELEASE]

LIQUOR STORES INCOME FUND REPORTS 2010 FIRST QUARTER RESULTS

EDMONTON, ALBERTA, May 6, 2010 – Liquor Stores Income Fund (the "Fund") (TSX: LIQ.UN) today reported its results for the first quarter ended March 31, 2010.

Sales and gross margin for the first quarter of 2010 were up from a year earlier, with the addition of Liquor Barn (Kentucky) stores in the fourth quarter of 2009. Canadian same store sales were down 1.3% and US same store sales (in US dollars) were consistent with the first quarter of 2009. Operating margin was off $1.2 million primarily due to the lingering effects of the Government of Alberta's liquor mark-up increase, which took effect on April 7, 2009, and the subsequent reversal of the mark-up increase, which took effect on July 7, 2009. Operating margin was also impacted by more aggressive promotional pricing by the Fund in the first quarter of 2010. Distributable cash before non-recurring items was $2.0 million or $0.09 per Unit compared with $0.18 per Unit for the first quarter of 2009.

"We do not view the first quarter to be indicative of the remainder of 2010. In light of this, we are providing guidance regarding distributable cash for 2010. We expect distributable cash before non-recurring items per Unit to be in the range of $1.70 to $1.80 for the year, not including any growth that would occur as a result of potential acquisitions that may arise in 2010. This compares to $1.81 achieved in 2009," said Rick Crook, President and CEO of Liquor Stores GP Inc., administrator of the Fund.

Commenting on first quarter results, Mr. Crook stated, "Customer counts in Canadian same stores were consistent for the first quarter year-over-year, but customers purchased fewer items per visit, which contributed to a same store sales decline of 1.3%. Same store sales for US stores for the first quarter were consistent (in US dollars) with the prior year."

"The integration of the Liquor Barn (Kentucky) chain of stores is nearly complete and we are pleased with the results of those stores for the first quarter of 2010. Our Brown Jug stores in Alaska also performed well. The Fund's US subsidiaries generated approximately 25% of the overall sales for the quarter. The Fund's long-range growth plan is focused on expansion in US markets and, as this growth occurs, the contribution of the Fund's US stores to overall sales and operating margin is expected to increase."

QUARTER ENDED MARCH 31, 2010

FIRST QUARTER SALES

Sales for all 236 stores totalled $115.8 million in 2010, up 8.8% from $106.4 million for the 224 stores operated a year earlier. Sales growth was mainly attributable to the Fund's US acquisitions late in 2009.

Canadian sales totalled $86.4 million in 2010, down 1.8% from $88.0 million a year earlier.

Canadian same store sales for 2010 were $73.9 million, down 1.3% from $74.9 million for 2009. Customer count was stable in the first quarter; however, customers purchased fewer items per transaction. While same store sales for the Fund's Canadian locations in non-resource based communities decreased 0.6%, those in resource-dependent markets were down an average of 4.5%.

The Fund's wholesale business sales, all in Canada, totalled $11.0 million in 2010, down 12.0% from $12.5 million in 2009. The Fund continued to strategically reduce its business in this area due to lower margins and higher administrative and credit risk costs associated with wholesale customers.

US sales totalled $29.4 million in 2010, up $11.1 million from $18.3 million a year earlier. US same store sales were consistent with a year earlier at $14.7 million (US dollars). Other US stores, including one store opened in Alaska and eight stores acquired in Kentucky in the fourth quarter of 2009, accounted for $13.5 million (US dollars) in sales for the first quarter of 2010.

FIRST QUARTER MARGINS

The Fund's gross margin for the three months ended March 31, 2010 was $28.1 million, up 4.5% from $26.9 million in 2009.

Adjusted operating margin for 2010 was $4.1 million, down 19.6% from $5.1 million in 2009. As a percentage of sales, operating margin was 3.6%, down 1.2% from a year earlier.

Adjusted operating margin for Canadian stores for 2010 was $3.1 million, or 3.5% as a percentage of sales, compared with $4.4 million, or 5.0% as a percentage of sales for 2009. In Canada, adjusted operating margin as a percentage of sales was down due to the lingering effect of the Government of Alberta's increase in liquor mark-up and subsequent reversal in 2009 and more aggressive promotional pricing during the first quarter of 2010. However, the Fund has now sold through substantially all of the inventory purchased while the Government of Alberta's mark-up increase was in effect, and accordingly, it is not expected that there will be any further impact on operating margin from this anomaly. The US adjusted operating margin in the first quarter of 2010 was $1.0 million or 3.4% as a percentage of sales, compared with $0.7 million or 3.8% as a percentage of sales for 2009. Adjusted US operating margin was down 0.4% due to additional expenses incurred with respect to the integration of Kentucky store operations following the acquisition as discussed below.

Adjusted operating and administrative expense for the first quarter of 2010 was $24.0 million, up 10.1% from $21.8 million a year earlier. As a percentage of sales, adjusted operating and administrative expense for the period was consistent with the prior year at approximately 21.0%. The increase in operating expenses represents the addition of operations for the Fund's Kentucky stores purchase in late 2009. Following the Kentucky acquisition, the Fund incurred expenses in Kentucky related to the set up of inventory management controls and procedures and staff training in late 2009 and early 2010. The Canadian operating margin was also impacted by the timing of certain head office administrative expenditures.

Operating margin excluding non-recurring items was $4.0 million in the first quarter of 2010, down 24.5% from $5.3 million a year earlier.

FIRST QUARTER DISTRIBUTABLE CASH AND DISTRIBUTIONS

Distributable cash per Unit before non-recurring items was $0.09 for 2010, down from $0.18 for 2009. Distributable cash per Unit including non-recurring items for the three months ended March 31, 2010 was $0.09, compared with $0.17 a year earlier. In addition to the factors leading to the overall decrease in operating margin before non-recurring items, interest expense relating to finance activities including the acquisition of the Fund's Kentucky operations and a foreign exchange loss affected distributable cash.

Distributable cash excluding non-recurring items was $2.0 million in the first quarter of 2010, down $2.0 million from $4.0 million in 2009. Distributable cash including non-recurring items was $2.1 million for the first three months of 2010, compared with $3.8 million a year earlier.

During the quarter ended March 31, 2010, the Fund declared distributions of $0.405 per unit, consistent with the prior year.

FIRST QUARTER EARNINGS AND EARNINGS PER UNIT

Net earnings before a non-cash income tax charge were $0.1 million in the first quarter of 2010, down from $0.9 million a year earlier.

The Fund’s net earnings were $0.1 million for the three months ended March 31, 2010, compared with $1.7 million a year earlier. Net earnings were down following a decrease in same store sales and gross margins for Canadian same stores. In addition, interest expense related to the financing of the acquisition of stores in Kentucky in the fourth quarter of 2009 and amortization expense were up. There was a non-cash future income tax expense in 2010 of $0.1 million, which was a result of the amortization of and additions to goodwill, property, plant and equipment, and intangible assets. The future tax recovery in 2009 was $0.8 million.

Basic and diluted earnings per unit were $0.00 in the first quarter of 2010, compared with basic earnings of $0.08 and diluted earnings of $0.07 a year earlier.

Other comprehensive loss included $1.9 million in currency translation losses from US operation for the three months ended March 31, 2010. For the comparable period in 2009, the Fund had a currency translation gain of $1.1 million.

Liquor Stores Summary Financial Results, three months ended March 31, 2010 with comparisons to 2009

(expressed in thousands of Canadian dollars, except per unit amounts)	Three months ended	
	March 31, 2010	March 31, 2009 (restated – note 1)
Sales	$ 115,798	$ 106,352
Operating margin before non-recurring items	$ 4,021	$ 5,255
Adjusted operating margin	$ 4,116	$ 5,060
Earnings before non-cash tax charge	$ 133	$ 852
Net earnings	$ 54	$ 1,655
Diluted earnings per unit	$ 0.00	$ 0.07
Distributable cash (before non-recurring items)	$ 2,013	$ 4,015
Distributable cash (after non-recurring items)	$ 2,108	$ 3,820
Distributable cash per Unit (before non-recurring items)	$ 0.09	$ 0.18
Distributable cash per Unit (after non-recurring items)	$ 0.09	$ 0.17
Cash distributions per Unit	$ 0.41	$ 0.41
Diluted average units outstanding	18,525	22,512
Stores in operation at March 31	236	224

(1) *Net earnings have been restated in accordance with the adoption of CICA Handbook sections 1601 Consolidated Financial Statements and 1602 Non-Controlling Interests.*

The Management's Discussion and Analysis (MD&A) as well as the complete financial statements and notes for the first quarter ended March 31, 2010 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 Friday, May 7, 2010 to discuss results for the quarter ended March 31, 2010. The conference call will take place at 9 a.m. MT. Participants in the call include Rick Crook, President and CEO, Pat de Grace, Vice-President, Finance and Chief Financial Officer and Scott Morrow, Chief Operating 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 May 14, 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.

Operating margin has been derived by adding amortization of inventory fair value adjustments, interest expense, non-recurring items, pre-opening and acquisition costs, amortization of property and equipment, and intangibles to net earnings. 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 or information. All statements and information other than statements of historical fact contained in this press release are forward-looking statements, including, without limitation, statements regarding the future financial position and performance, cash distributions, distributable cash before non-recurring items, distributable cash before non-recurring items per Unit, business strategy, proposed or recent acquisitions and the benefits derived therefrom, budgets, projected costs and plans and objectives of or involving the Fund or Liquor Stores Limited Partnership. You can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "forecasts" 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 is no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur and such forward-looking statements in this press release should not be unduly relied upon. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this press release. There is 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" and “Financial Outlook” in the First Quarter 2010 Management’s Discussion and Analysis. Specific forward-looking statements contained in this press release include, among others, distributable cash before non-recurring items per Unit to be in the range of $1.70 to $1.80 for the year.

The information contained in this press release, including the information set forth under "Risk Factors" and “Financial Outlook” in the First Quarter 2010 Management’s Discussion and Analysis, identifies additional factors that could affect the operating results and performance of the Fund and Liquor Stores Limited Partnership.

Financial outlook information contained in this press release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management’s assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this press release should not be used for purposes other than for which it is disclosed therein.

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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