



## **Liquor Stores Income Fund Announces Intention to Convert to Dividend-Paying Corporation**

**EDMONTON, Alberta, October 7, 2010** – Liquor Stores Income Fund (the "Fund") (TSX:"LIQ.UN") today announced that it intends to convert from an income trust to a dividend-paying corporation (the "Conversion") to be called "The Liquor Stores Corporation", effective on or about January 1, 2011. The proposed Conversion is being undertaken as a result of legislative changes to the tax treatment of business income trusts. It is anticipated that following the Conversion the Board of Directors of The Liquor Stores Corporation will adopt a dividend policy whereby monthly dividends will initially be set at \$0.09 per share (\$1.08 annually).

The Conversion is intended to be completed by way of a plan of arrangement (the "Arrangement") under the *Canadian Business Corporations Act*, pursuant to which unitholders of the Fund will exchange their trust units for shares of The Liquor Stores Corporation on a one-for-one-basis. It is expected that the Conversion will be completed on a tax-deferred, "rollover" basis for Canadian income tax purposes. Upon completion of the Conversion, The Liquor Stores Corporation will indirectly own and operate the existing business of the Fund and its subsidiaries, and the executive officers and Board of Directors of Liquor Stores GP Inc. (the administrator of the Fund) will be the executive officers and Board of The Liquor Stores Corporation.

The Conversion is subject to a number of conditions, including but not limited to unitholder, Toronto Stock Exchange, and court approval. Full details of the Conversion will be set out in an information circular of the Fund to be mailed to unitholders in connection with the special meeting of unitholders to be held to consider and approve the Conversion.

### **Highlights of Conversion**

The Board of Directors of Liquor Stores GP Inc. and management believe the proposed Conversion is in the best interests of the Fund and the Fund's unitholders and is expected to produce, among other things, the following benefits:

- Enhanced access to capital markets with the potential to attract a broader investor base, which will benefit the business as it continues to expand through accretive acquisitions and greenfield stores in both the United States and Canada; and
- No restrictions on non-resident ownership under tax laws.

"The Fund's decision regarding the proposed conversion to a dividend-paying corporation and the anticipated dividend policy is the best approach for us to take in the context of the trust tax commencing January 1, 2011," said Rick Crook, President and Chief Executive Officer. "Management strongly believes this change will continue to allow us to deliver an attractive monthly yield to our investors while at the same time fund potential growth opportunities that align with the existing strengths and business of the Fund." Mr. Crook added, "Since it became public as an income trust in September 2004, the Fund has grown from 49 liquor stores to the current 237 liquor stores and has expanded its geographic reach into the United States. As a corporation we intend to continue to pursue this growth with the same diligence, care, and enthusiasm that we have exhibited over the past six years."

## **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, British Columbia, Alaska and Kentucky through its 83.9% interest in Liquor Stores Limited Partnership, which operates the largest number of private liquor stores in Canada by number of stores. Liquor Stores Limited Partnership currently operates 237 stores, including 20 Brown Jug locations in Alaska and 8 Liquor Barn locations in Kentucky. 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 the Fund's website at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca).

## **Notice to Readers**

Certain forward-looking statements are made in this news release, within the meaning of applicable Canadian securities laws. Forward-looking statements used in this new release may contain words such as "may", "will", "should", "believe", "expect", "plan", "anticipate", "intend", "estimate", "potential", "continue", "future", or the negative of these terms or other similar expressions. Forward-looking statements in this news release, include, without limitation, statements regarding possible future actions by the Fund, Liquor Stores GP Inc., Liquor Stores Limited Partnership and The Liquor Stores Corporation, taxes, the Conversion, the expected benefits of the Conversion, the effective date of the Conversion, the treatment of the Fund and its unitholders under tax laws, the business to be carried on by The Liquor Stores Corporation and its subsidiaries upon completion of the Conversion, the anticipated future growth and business strategy of The Liquor Stores Corporation, and the anticipated dividend policy of The Liquor Stores Corporation following completion of the Conversion. These statements reflect the Fund's current expectations regarding future events and are based on information currently available to management, but involve known and unknown risks, uncertainties and other factors which may cause the outcome of the Conversion or the actual results, performance or achievements of the Fund, any of its subsidiaries, Liquor Stores Limited Partnership and/or The Liquor Stores Corporation to be materially different from any future results, performance or achievements anticipated, expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to legislative and regulatory developments, legal developments, changes in tax laws, failure of the parties to the arrangement agreement in respect of the Conversion to satisfy the conditions to the Arrangement set out therein, inability of the parties to the Conversion to obtain the required consents, permits and approvals for the Conversion, including unitholder, stock exchange and court approval, failure to complete and realize anticipated benefits of the Conversion, and those other risks, factors and uncertainties detailed in the section entitled "Risk Factors" in the Fund's Management Discussion and Analysis dated August 10, 2010 for the fiscal period ended June 30, 2010, which is available on the Fund's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca). The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned that forward-looking statements should not be read as guarantees of future performance, outcomes or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. These forward-looking statements are made as of the date of this news release, and should not be relied upon as representing the Fund's views as of any date subsequent to the date of this news release. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

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