



FOR IMMEDIATE RELEASE

December 18, 2006

Sterling Shoes Income Fund Announces Special Cash Distribution of 32 cents per unit and Monthly Cash Distribution

VANCOUVER, BC, December 18, 2006 –Sterling Shoes Income Fund (the “Fund”) (TSX: SSI.UN), a Vancouver-based, national specialty footwear retailer, today declared a special cash distribution of \$0.32 per unit payable on January 15, 2007 to unitholders of record on December 29, 2006.

Upon completion of the Fund’s audited financial statements for the year ended December 31, 2006 (in March 2007), this special distribution may be supplemented by a further payment to allow the Fund to distribute all of its taxable income for 2006. Any such further payment would be payable to unitholders of record at the close of business on December 29, 2006. The special cash distribution is not indicative of future performance.

“Our excellent performance has enabled us to reward our unitholders with a series of increases in our monthly distributions since completing our initial public offering in July 2005,” said Jeremy Horwitz, President and Chief Executive Officer of the Fund. “Our monthly payout at \$0.12 per unit is now 34 percent more than when we went public. Furthermore, for 2005, we were able to make a special, one-time year-end payment of 16 cents per unit. We are very pleased to be able to make yet another special cash distribution of 32 cents per unit that results in a substantial return on the investment that our unitholders have made in Sterling.”

The Fund also announced its cash distribution of \$0.12 per trust unit for the period from December 1, 2006 to December 31, 2006. The distribution is payable on January 15, 2007 to unitholders of record on December 29, 2006.

Sterling Shoes Limited Partnership (the “Partnership”) is continuing to pay equivalent distributions to the retained interest holder on the Subordinated Exchangeable LP Units of the Partnership.

The Fund’s policy is to pay cash distributions on the 15th of each month to unitholders of record on the last business day of the preceding month. Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable on any distributions by the Fund. Distributions on the Subordinated Exchangeable LP Units of the Partnership are intended to be paid quarterly on a subordinated basis assuming certain financial tests are met.



Sterling

STERLING SHOES LIMITED PARTNERSHIP

About Sterling Shoes

Sterling Shoes Income Fund is a leading Vancouver-based footwear retailer offering a broad selection of private label and brand name shoes and accessories in five Canadian provinces through its five separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman's and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 126 stores (as at December 18, 2006) located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 1000 employees, and sales of the business for the 12 month period ended September 30, 2006 were \$95.3 million. The Fund's units are listed on the Toronto Stock Exchange under the symbol SSI.UN.

Forward-looking statements

Certain statements in this press release may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements often use, but are not limited to, such words as "may", "will", "expect", "should", "believe", "intend", "plan", "anticipate", "potential", and other similar terminology. These statements reflect current expectations of management regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following factors: competitive and economic environment, impact of changes to tax treatment of income trusts or dividend tax credits, foreign exchange, seasonality, fluctuation of cash distributions and nature of Units. The actual timing of and number of additional store openings could differ materially from what is described herein if Sterling is unable to reach timely and satisfactory agreements with the various landlords as to the final lease documentation, to secure adequate labour and materials to construct the stores, to deliver sufficient inventory, to adapt its operational systems, or to hire, train and integrate employees. Although the forward-looking statements contained in this press release are based upon what our management believes to be reasonable assumptions, we cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release and we assume no obligation to update or revise them to reflect new events or circumstances.

For further information, please visit us at www.SterlingShoesIncomeFund.com, or contact Daniel Gumprich, Chief Financial Officer, Sterling Shoes Income Fund at (604) 270-6114.

Additional information about Sterling Shoes Income Fund can be found in the disclosure documents filed by Sterling Shoes Income Fund with the securities regulatory authorities, available at www.sedar.com.

freedman
shoes

Sterling

Joneve

SHOE
WAREHOUSE