

FOR IMMEDIATE RELEASE

May 9, 2008

STERLING SHOES INCOME FUND

FUND ANNOUNCES FIRST QUARTER 2008 RESULTS

HIGHLIGHTS:

- Overall sales grew 4.2% during first quarter 2008 over first quarter 2007.
- Same-store sales grew 1.4% during first quarter 2008 over first quarter 2007.
- Distributions for the first quarter of 2008 were \$0.375 per unit, 4% over first quarter 2007.
- A supplementary special dividend of \$0.06 per unit was declared.
- 5 new stores opened to date in 2008, bringing the number of stores in operation to 146.

VANCOUVER, BC, May 9, 2008 – Sterling Shoes Income Fund (TSX: SSI.UN) today reported its financial results for the quarter ended March 31, 2008.

Sales for the quarter ended March 31, 2008 were \$24.9 million, 4.2% higher than first quarter 2007. First quarter same store sales grew 1.4 % over last year.

“Our expansion strategy continues to unfold as planned” said Jeremy Horwitz, President and Chief Executive Officer. We have opened 5 new stores since January 1, 2008 bringing the total number of stores in operation to 146 compared to 100 at the time of the company’s IPO in July 2005. We expect to open a total of 18 stores during 2008.”

“We have been taking steps to build our infrastructure and position the business for sustainable long-term earnings growth. In this context, we are adding resources to plan and implement new information technology systems, have bolstered our purchasing and distribution capability, and added field management to support our retail store expansion.”

Distributions for first quarter 2008 totaled \$0.375 per unit, a 4% increase over the same period last year.

The Fund declared a supplementary special distribution of \$0.06 per unit applying to 2007 fiscal year business bringing the total distribution relating to that year to \$1.86 per unit, a 16 cent increase over the prior year.

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Financial Results for the fourth quarter and year-ended December 31, 2007

During the first quarter of 2008, sales rose 4.2% to \$24.9 million from \$23.9 million a year earlier, as same-store sales increased by 1.4%.

Cost of sales as a percentage of sales for the quarter ended March 31, 2008 was 55.6% compared to 41.1% for the same period in 2007. On January 1, 2008 the Fund implemented a new inventory valuation standard, as required by CICA Handbook Section 3031, "Inventories". The change in cost of sales as a percentage of sales was largely due to this change. Inventory mark-downs were previously recognized in the period that markdowns were made; they are now recognized in the period of sale. Management believes that over the course of the year, gross margins under the new inventory valuation standard and the previous inventory valuation model should be similar, the difference being related to timing. Please refer to the Fund's MD&A for additional details on the change of inventory evaluation methodology.

Store and selling expenses for the quarter were \$10.5 million or 42.2% of sales compared to \$9.3 million or 38.7% for the same period during 2007. Store and selling expenses have a fixed underlying core with a large variable component. The Fund opened 2 new stores during the first quarter of 2008. New stores have a higher rent profile than the average store base, which has resulted in higher occupancy charges. The Fund also employed additional resources in those stores to ensure that new staff were properly trained and that new stores opened smoothly. These start up costs coupled with pressure on labour costs, especially in Western Canada, contributed to higher store and selling expenses.

General and administrative ("G&A") expenses for the quarter ended March, 2008 were \$2.1 million or 8.3% of sales compared to \$1.7 million or 6.9% of sales during the same period in 2007. This increase was due to additional head office employees, an increase of general overhead and infrastructure expenditures and investment in processes and systems improvement initiatives to keep pace with the current and future growth of the business.

Net loss for the first quarter of 2008 was \$2.0 million, or \$0.37 loss per unit (diluted - \$0.37 loss per unit) compared to net income for the same period last year of \$1.8 million, or \$0.34 per unit (diluted - \$0.34 per unit). In addition to the impact of the change in inventory valuation methodology, higher store and selling expense and higher G&A costs noted above, this period's loss was partially offset by a non-cash charge of \$0.7 million to reflect the change in the estimated future income tax liability resulting from the Government of Canada enacting legislation to impose a tax on distributions paid by publicly traded income trusts in Canada, commencing in 2011.

Cash used in operating activities was \$1.6 million for the quarter ended March 31, 2008 compared to \$0.8 million for the same period in 2007. The change arose from increases in general and administrative expenses and increases in store and selling expenses offset by net changes in non-cash working capital balances related to operations.



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STERLING SHOES INCOME FUND	As at	As at
Consolidated Balance Sheets	March	March
(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)	31, 2008	31, 2007
ASSETS		
CURRENT		
Cash	\$ 5,475	\$ -
Accounts receivable	292	1,006
Inventory	36,750	27,434
Prepaid expenses and deposits	955	731
	43,472	29,171
LEASEHOLDS AND EQUIPMENT	17,491	14,092
GOODWILL	828	828
INTANGIBLE ASSETS	49,041	49,041
	\$ 110,832	\$ 93,132
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ -	\$ 5,060
Accounts payable and accrued liabilities	22,587	19,539
Distributions payable	1,162	1,116
	23,749	25,715
FUTURE INCOME TAXES	7,000	-
CONVERTIBLE DEBENTURES	21,377	-
TERM LOAN	-	5,000
DEFERRED LEASE INDUCEMENTS	1,770	1,460
NON-CONTROLLING INTEREST	-	12,214
UNITHOLDERS' EQUITY	56,936	48,743
	\$ 110,832	\$ 93,132

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STERLING SHOES INCOME FUND

Consolidated Statements of Income and Comprehensive Income

(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended	
	Mar 31, 2008	Mar 31, 2007
SALES	\$ 24,948	\$ 23,950
COST OF SALES	13,875	9,851
GROSS MARGIN	11,073	14,098
EXPENSES		
Store and selling	10,522	9,275
General and administrative	2,060	1,663
	12,582	10,937
(Loss) / Income before interest, amortization and non-controlling interest	(1,509)	3,161
Interest expense	463	109
(Gain) Loss on disposal of leaseholds and equipment	-	(4)
Amortization of leaseholds and equipment	751	788
(LOSS) / INCOME BEFORE NON-CONTROLLING INTEREST AND TAXES	(2,723)	2,268
Future income taxes	(724)	-
(LOSS) / INCOME BEFORE NON-CONTROLLING INTEREST	(1,999)	2,268
NON-CONTROLLING INTEREST	-	462
NET (LOSS) / INCOME	\$ (1,999)	\$ 1,806
Basic and diluted net (loss) / income per unit	\$ (0.37)	\$ 0.34
Basic weighted average number of units outstanding	5,387,286	5,313,488
Diluted weighted average number of units outstanding	6,569,311	6,641,860

STERLING SHOES INCOME FUND

Consolidated Statements of Unitholders' Equity

For the three month period ended March 31, 2008

(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

	Unitholders' capital	Equity component of Debentures	Cumulative earnings	Cumulative distributions	Total
BALANCE, March 31, 2007	\$ 47,847	-	15,370	(14,474)	\$ 48,743
Option on convertible debentures	-	2,657	-	-	2,657
Net income for the period	-	-	3,540	-	3,540
Distributions declared	-	-	-	(7,970)	(7,970)
BALANCE, December 31, 2007	\$ 47,847	2,657	18,909	(22,444)	\$ 46,968
Elimination of non-controlling interest	11,962	-	4,801	(5,611)	11,152
Re-valuation of inventory per CICA HB S.3031	-	-	3,306	-	3,306
Net loss for the period	-	-	(1,999)	-	(1,999)
Distributions declared	-	-	-	(2,491)	(2,491)
BALANCE, March 31, 2008	\$ 59,809	2,657	25,016	(30,546)	\$ 56,936

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Consolidated Statement of Cash Flows

(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended	
	Mar 31, 2008	Mar 31, 2007
OPERATING ACTIVITIES		
Net (Loss) / Income	\$ (1,999)	\$ 1,806
Items not involving cash		
Future income taxes	(724)	-
Amortization of leaseholds and equipment	751	788
Accreted interest expense	134	-
Amortization of deferred lease inducements	(89)	(74)
Loss on disposal of leaseholds and equipment	-	-
Non-controlling interest [note 6]	-	462
Revaluation of inventory per CICA HB S3031 [note 2]	3,306	-
	1,379	2,982
Change in non-cash working capital balances related to operations		
Accounts receivable	481	(541)
Inventory	(7,716)	(8,794)
Prepaid expenses and deposits	53	(106)
Accounts payable and accrued liabilities	4,172	5,645
	(3,010)	(3,796)
Cash used in operating activities	(1,631)	(814)
INVESTING ACTIVITIES		
Acquisition of leaseholds and equipment	(1,594)	(1,602)
Proceeds from disposal of assets	-	4
Lease inducements received	74	0
Cash used in investing activities	(1,520)	(1,599)
FINANCING ACTIVITIES		
Payment of distributions	(5,234)	(5,493)
Cash used in financing activities	(5,234)	(5,493)
CASH OUTFLOW DURING THE PERIOD	(8,385)	(7,905)
CASH, BEGINNING OF PERIOD	13,860	2,845
CASH, END OF PERIOD	\$ 5,475	\$ (5,060)
Supplemental cash flow information		
Interest paid	\$ -	\$ 109

Conference Call Notification

Please note the Fund's conference call will take place at 10:00 am Pacific standard time (1:00 pm EST) on Monday, May 12, 2008. The number to participate in the teleconference is Toll-free: 866-542-4238 or 416-641-6127. To ensure your participation, please call in about five minutes before the start of the call. For those unable to participate, a telephone replay will be available until May 26, 2008 using the passcode 3260624 at 800-408-3053 or 416-695-5800.



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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.

About Sterling Shoes Income Fund

Sterling 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 six separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman Shoes and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 145 stores (as at May 9, 2008) located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 1,000 employees, and sales of the business for the twelve month period-ended March 31, 2008 were \$119.8 million. The Fund's units are listed on the Toronto Stock Exchange under the symbol SSI.UN. The Fund's convertible debentures are listed on the Toronto Stock Exchange under the symbol SSI.DB.

For further information, please visit us at www.SterlingShoesIncomeFund.com, or contact:

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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.

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