

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

FOR IMMEDIATE RELEASE

May 7, 2009

STERLING SHOES INCOME FUND (TSX: SSI.UN)

FUND ANNOUNCES FIRST QUARTER 2009 RESULTS

HIGHLIGHTS:

- Overall sales increased 10.8% to \$27.7 million during first quarter 2009;
- Same-store sales increased 0.3% during first quarter 2009;
- EBITDA improved 37% from a loss of \$1,509 thousand in first quarter 2008 to a loss of \$946 thousand in first quarter 2009.

VANCOUVER, BC, May 7, 2009 – Sterling Shoes Income Fund (the “Fund”) today reported its financial results for the quarter ended March 31, 2009.

“Sterling enjoyed same-store and overall sales growth, and increased profitability compared to the same period last year despite challenging economic conditions.” said Jeremy Horwitz, President and Chief Executive Officer.

“Looking forward, the economic outlook remains uncertain. In this context, management is continuing its efforts to conserve cash through aggressive cost reductions and inventory management. We believe this will position Sterling for sustainable long-term earnings and growth once economic conditions stabilize.”

Financial Results for the three months ended March 31, 2009

During the first quarter of 2009, sales rose 10.8% to \$27.7 million from \$24.9 million a year earlier.

Cost of sales as a percentage of sales for the three months ended March 31, 2009 was 56.6% compared to 55.6% for the same period during 2008. Due to volatile economic conditions during the quarter-ended March 31, 2009 more promotional activity took place during that quarter than during the same period in 2008 which had a negative impact on gross margin. The Fund engaged in promotional activity as a mechanism to generate sales, clear inventory and respond to competitive forces.

Cost of sales was also impacted by the deterioration of the Canadian dollar versus the U.S. dollar in recent months. Substantially all footwear sold in Canada is manufactured outside of Canada. Consequently, the cost thereof is exposed to currency fluctuations. The Fund makes approximately 40% of its purchases in U.S. dollars. During the quarter ended March 31, 2009 the Canadian dollar was worth approximately 25% less against the U.S. dollar than during the same period in 2008. The higher cost of purchasing inventory over the last six months has increased purchase prices, inventory valuation and cost of sales.

Store and selling expenses for the three months ended March 31, 2009 were 40.7% of sales, compared to 42.3% for the same period during 2008. Store and selling expenses have a fixed underlying core with a large variable component, primarily consisting of expenses relating to occupancy and employee costs. Store and selling expenses have fallen as a percentage of sales during the past two quarters as a result of Management’s actions to reduce controllable costs.

General and administrative (“G&A”) expenses for the three-months ended March 31, 2009 were 6.1% of sales, compared to 8.3% during the same period in 2008. G&A expenses have been reduced in nearly all

Sterling

SHOE
WAREHOUSE

Joneve

freedman
shoes

gia shoes

Sterling
OUTLET

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

cost categories as a result of our comprehensive review of business processes to manage the business through the current economic volatility.

Adjusted EBITDA for the three-months ended March 31, 2009 was negative 4.1% of sales compared to negative 6.4% for the same period during 2008.

STERLING SHOES INCOME FUND	As at	As at
Consolidated Balance Sheets	March	December
(Expressed in thousands of dollars, except per unit and number of unit figures.)	31, 2009	31, 2008
	<i>(Unaudited)</i>	
ASSETS		
CURRENT		
Cash	\$ -	\$ -
Accounts receivable	464	885
Inventory	44,272	39,892
Prepaid expenses and deposits	606	484
	45,342	41,261
LEASEHOLDS AND EQUIPMENT	20,369	19,996
GOODWILL	828	828
INTANGIBLE ASSETS	49,041	49,041
	\$ 115,580	\$ 111,126
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 2,919	\$ 467
Accounts payable and accrued liabilities	20,039	14,951
Distributions payable	124	221
	23,082	15,639
FUTURE INCOME TAXES	7,000	7,000
TERM LOAN	5,000	5,000
CONVERTIBLE DEBENTURES	22,008	21,847
DEFERRED LEASE INDUCEMENTS	2,078	2,234
	56,412	59,406
UNITHOLDERS' EQUITY	56,412	59,406
	\$ 115,580	\$ 111,126

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

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, 2009	Mar 31, 2008
SALES	\$ 27,672	\$ 24,948
COST OF SALES	15,675	13,875
GROSS MARGIN	11,997	11,073
EXPENSES		
Store and selling	11,256	10,522
General and administrative	1,687	2,060
	12,943	12,582
Loss before interest, amortization and taxes	(946)	(1,509)
Interest expense	652	463
Loss (Gain) on disposal of leaseholds and equipment	66	-
Amortization of leaseholds and equipment	764	751
LOSS BEFORE TAXES	(2,428)	(2,723)
Future income taxes	-	(724)
NET LOSS AND COMPREHENSIVE LOSS	(2,428)	(1,999)

Basic and diluted net loss per unit \$ (0.37) \$ (0.37)

Basic weighted average number of units outstanding 6,641,860 5,313,488

Diluted weighted average number of units outstanding 7,823,885 6,641,860

STERLING SHOES INCOME FUND

Consolidated Statements of Unitholders' Equity

For the three-month period ended March 31, 2009

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

	Unitholders' capital	Equity component of Debentures	Cumulative earnings	Cumulative distributions	Cumulative deficit	Unitholders' equity
BALANCE, March 31, 2008	\$ 59,809	2,657	25,016	(30,546)	(5,530)	\$ 56,936
Net income			8,724			8,724
Distributions declared				(6,254)	(6,254)	(6,254)
BALANCE, December 31, 2008	59,809	2,657	33,740	(36,800)	(3,060)	59,406
Net loss			(2,428)	-	(2,428)	(2,428)
Distributions declared				(566)	(566)	(566)
BALANCE, March 31, 2009	\$ 59,809	2,657	31,312	(37,366)	(6,054)	\$ 56,412

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

STERLING SHOES INCOME FUND

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, 2009	Mar 31, 2008
OPERATING ACTIVITIES		
Net loss	\$ (2,428)	\$ (1,999)
Items not involving cash		
Future income taxes	-	(724)
Amortization of leaseholds and equipment	764	751
Loss on disposal of leaseholds and equipment	66	-
Amortization of deferred lease inducements	(188)	(89)
Accreted interest expense	161	134
Revaluation of inventory per CICA HB S3031	-	3,306
	(1,625)	1,379
Change in non-cash working capital balances related to operations		
Accounts receivable	419	481
Inventory	(4,380)	(7,716)
Prepaid expenses and deposits	(122)	53
Accounts payable and accrued liabilities	5,091	4,172
	1,008	(3,010)
Cash used in operating activities	(617)	(1,631)
INVESTING ACTIVITIES		
Acquisition of leaseholds and equipment	(1,202)	(1,594)
Lease inducements received	32	74
Cash used in investing activities	(1,170)	(1,520)
FINANCING ACTIVITIES		
Operating loan	2,451	-
Payment of distributions	(664)	(5,234)
Cash provided by / (used in) financing activities	1,787	(5,234)
CASH OUTFLOW DURING THE PERIOD	-	(8,385)
CASH, BEGINNING OF PERIOD	-	13,860
CASH, END OF PERIOD	\$ -	\$ 5,475
Supplemental cash flow information		
Interest paid	\$ 85	\$ -

Conference Call Notification

Please note the Fund's conference call will take place at 11:00 am Pacific standard time (2:00 pm EDT) on Friday, May 8, 2009. The number to participate in the teleconference is Toll-free: 866-223-7781 or 416-340-8018. 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 22, 2009 using the passcode 6284811 at 800-408-3053 or 416-695-5800.

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

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

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: general economic conditions and markets and, in particular, the potential impact of the current economic downturn, the cost and availability of capital, the possibility of deterioration in the Company's working capital position, the impact on the Company's liquidity if it were to go offside of the covenants in its debt facilities, our ability to maintain profitability and manage growth, risks associated with leasing and expansion, competition, inventory and sourcing risk, ability to identify and respond to changing consumer fashion preferences, risks associated with international purchasing, reliance on key personnel, dependence on consumer spending, unseasonable weather conditions, uncertainties arising from world events, intellectual property risks, foreign exchange fluctuations on imported merchandise, labour relations, seasonality and fluctuations in cash distributions, fluctuations in distributable cash based on our performance, restrictions on potential growth, future issuances of Units by the Fund or future disposition of Units held by SSI Investments Inc., income tax matters, changes in accounting standards, including the transition to IFRS, and increases in interest rates. 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 159 stores (as at May 7, 2009) 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. 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:

Daniel S. Gumprich
Chief Financial Officer
(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.

Sterling

**SHOE
WAREHOUSE**

Joneve

**freedman
shoes**

gia shoes

**Sterling
OUTLET**