

# Sterling

STERLING SHOES LIMITED PARTNERSHIP

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For Immediate Release

*This news release contains "forward looking information and statements" within the meaning of applicable securities laws. A summary of the forward looking information and statements are set out later in this news release.*

## STERLING SHOES ANNOUNCES INTENTION TO CONVERT TO A CORPORATION

Vancouver, B.C. April 22, 2010. Sterling Shoes Income Fund (TSX: SSI.UN) announced today that it will be asking its unitholders to approve the conversion of the Fund to a corporation at its annual and special meeting of unitholders to be held on June 24, 2010.

The conversion is to take place as a "plan of arrangement" and is expected to be effective July 1, 2010. Under the arrangement, unitholders of the Fund are to receive common shares of a newly formed corporation, "Sterling Shoes Inc.", on a one-for-one basis. Unitholders resident in Canada will generally receive their shares of Sterling Shoes Inc. on a tax deferred basis. SSI Investments Inc., the current holder of a 20% interest in Sterling Shoes Limited Partnership, the Fund's operating unit, will also exchange its exchangeable units for common shares of Sterling Shoes Inc., also on a one-for-one and tax deferred basis and its remaining units in the partnership for the debt owing to SS Holdings Trust by SSI Investments Inc. When the conversion is effective, SSI Investments Inc. will hold 20%, and the existing unitholders will hold 80%, of the issued common shares of Sterling Shoes Inc. The business of Sterling Shoes will continue to be conducted by Sterling Shoes Limited Partnership, all of the interests in which will be owned, directly or indirectly, by Sterling Shoes Inc.

The Fund also announced that the Trustees determined to continue the previously announced suspension of distributions by the Fund for the balance of 2010. The future dividend policy of Sterling Shoes Inc. will be determined by its directors at a later time depending upon the earnings and financial requirements of Sterling Shoes Inc. at that time.

The existing convertible debentures of the Fund will become debentures of Sterling Shoes Inc. The debentures will continue to be convertible, but into common shares of Sterling Shoes Inc. at the same price at which the debentures are now convertible into units of the Fund: namely, \$21.15 per common share, subject to adjustment as provided for in the trust indenture governing the convertible debentures.

It is expected that the current trustees of the Fund will become the directors of Sterling Shoes Inc., and the current officers and management of Sterling Shoes Limited Partnership will become officers and management of Sterling Shoes Inc.

The conversion to a corporation is a result of the changes to the taxation of income funds which become effective January 1, 2011, and which makes the income fund form of business enterprise less advantageous. The Fund is planning that the effective date of the conversion is to be July 1, 2010.

Richard Mahler, Chair of the Board of Trustees of the Fund said: "We are undertaking this conversion to a corporation at this time to simplify our business structure. The income fund structure is a less desirable form of business enterprise for Sterling Shoes at the present time as the Fund has suspended distributions and the proposed corporate structure will result in lower income taxes being paid on the taxable income of Sterling Shoes in 2010."

The conversion will require the approval of at least 2/3rds of the votes by the holders of units and special voting units, all of which are owned by SSI Investments Ltd., present and in person or by proxy voting as a class at the meeting, and court and regulatory approval. Further details of the proposed conversion will be set out in an information circular of the Fund, expected to be sent to unitholders in mid May, 2010.

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## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain statements contained in this news release including statements that contain words such as ‘could’ ‘should’, ‘can’, ‘anticipate’, ‘estimate’, ‘propose’, ‘plan’, ‘expect’ ‘believe’, ‘will’, ‘may’ and similar expressions and statements relating to matters that are not historical facts constitute “forward-looking information” within the meaning of applicable Canadian securities legislation (collectively, ‘forward\_looking information and statements’).

In particular, this news release contains forward-looking information and statements relating to the expectations of the Fund regarding the proposed conversion including, but not limited to: timing, completion, receipt of necessary approvals and anticipated benefits of the conversion.

These forward-looking information and statements are based on certain assumptions and analysis made by the Fund in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform to the Fund’s expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Fund’s expectations. Such risks and uncertainties include, but are not limited to the failure to receive approval of the conversion from the unitholders, the court or other regulatory authorities or to realize the anticipated benefits of the conversion.

Consequently, all of the forward-looking information and statements made in this news release are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Fund will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or its business or operations. Readers are therefore cautioned not to place undue reliance on such forward-looking information and statements. Except as may be required by law, the Fund assumes no obligation to update publicly any such forward-looking information and statements, whether as a result of new information, future events or otherwise.

## 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 six separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman Shoes and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 161 stores (as at April 22, 2010 located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 1,300 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, contact  
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