

NEWS RELEASE

FOR IMMEDIATE RELEASE



**STERLING SHOES INCOME FUND
ANNOUNCES CLOSING OF \$25 MILLION OFFERING
OF CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES**

VANCOUVER, BRITISH COLUMBIA (TSX: SSI.UN) – October 3, 2007 - Sterling Shoes Income Fund (“Sterling Shoes” or the “Fund”) announced today that it has closed its previously announced public offering of \$25,000,000 principal amount of 6.5% convertible unsecured subordinated debentures. The offering was completed on a “bought deal” basis by a syndicate of underwriters led by CIBC World Markets Inc. that included BMO Nesbitt Burns Inc., Canaccord Capital Corporation and TD Securities Inc.

Net proceeds from the financing will be used to repay existing indebtedness, fund Sterling Shoes’ new store expansion projects and for general corporate purposes.

About Sterling Shoes Income Fund

Sterling Shoes 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, Freedmans, Gia and Sterling Outlet. Since 1987, Sterling Shoes has grown from five shopping mall locations to 138 stores located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. Sterling Shoes currently has over 1,000 employees, and revenues for the twelve-month period ended June 30, 2007 were \$110.6 million. The Fund’s units are listed on the Toronto Stock Exchange under the symbol SSI.UN.

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

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The securities of Sterling Shoes referenced herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States. This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the securities of Sterling Shoes in the United States or in any state in which such offer, solicitation or sale would be unlawful.