

**JOINT ANNOUNCEMENT BY SLEEP COUNTRY CANADA INCOME FUND,
BIRCH HILL EQUITY PARTNERS MANAGEMENT INC. AND WESTERKIRK
CAPITAL INC.**

**BIRCH HILL EQUITY PARTNERS MANAGEMENT INC. AND WESTERKIRK
CAPITAL INC. ENTER INTO AN AGREEMENT TO ACQUIRE
SLEEP COUNTRY CANADA INCOME FUND**

TORONTO, CANADA – August 13, 2008 – Sleep Country Canada Income Fund (the “Fund”) (Z.UN – TSX), Birch Hill Equity Partners Management Inc. (“Birch Hill”) and Westerkirk Capital Inc. (“Westerkirk”) announced today that they have entered into a support agreement under which Birch Hill and Westerkirk have agreed, subject to certain conditions, to offer to acquire all of the outstanding units of the Fund for cash at a price of \$22.00 per unit (the “Offer”) for a total enterprise value of approximately \$356 million. The Offer will be made by 7019416 Canada Inc. (the “Offeror”), a new acquisition company established by Birch Hill and Westerkirk, by way of a take-over bid that will be mailed to unitholders of the Fund on or before August 18, 2008. The transaction is expected to be completed on or about September 23, 2008.

The \$22.00 per unit cash consideration represents a 37.1% premium over the closing price of the units on August 13, 2008, the last trading day prior to public announcement of the Offer and a 36.8% premium over the volume weighted average price of the units over the last 20 trading days.

Sleep Country Canada Income Fund is the largest retailer of mattresses in Canada with 133 corporate owned stores under the Sleep Country Canada banner and 27 stores in Quebec under the Dormez-vous Sleep Centres Inc. banner. The Fund also owns Sleep America LLC, the largest mattress retailer in Arizona with 46 stores. The Fund is an open-ended limited purpose trust that owns 100% of the voting securities of Sleep Country Canada Inc. The Fund’s units are listed on the Toronto Stock Exchange under the symbol Z.UN.

The Board of Trustees of the Fund, based on the recommendation of its Independent Committee, has unanimously recommended that unitholders tender to the Offer. Both the Independent Committee and the Board of Trustees have made their recommendations with the benefit of input from the Independent Committee's legal and financial advisors. Genuity Capital Markets, the financial advisor to the Independent Committee and the Board of Trustees, rendered an opinion to the Independent Committee, subject to the assumptions and limitations described therein, that the consideration to be offered pursuant to the Offer is fair from a financial point of view to unitholders of the Fund.

“The Offer reflects a significant premium and a strong value for unitholders as well as providing an excellent liquidity opportunity that the Board of Trustees fully and enthusiastically supports”, said Scott Anderson, Chair of the Independent Committee of Sleep Country Canada Income Fund.

“Sleep Country Canada has become the leading mattress retailer in Canada as a result of its outstanding management team, reputation for customer service excellence and dedicated employees. We look forward to working with Sleep Country Canada’s management to continue to grow the business”, said Steve Dent, Managing Partner of Birch Hill.

A take-over bid circular containing the terms of the Offer will be mailed to unitholders as will a Trustee's circular describing the background and negotiations leading to the Offer. Once mailed, these documents will also be available on the SEDAR website at www.sedar.com. The Offer will be subject to customary conditions, including the tender to the Offer of a sufficient number of units that will result in the Offeror, together with its affiliates and current senior management of the Fund, owning at least 66⅔% of the outstanding units. Funds managed by Birch Hill currently hold 1,310,650 units of the Fund (representing 9.6% of the outstanding units).

The support agreement entered into between the Fund and the Offeror provides for, among other things, a non-solicitation covenant on the part of the Fund, subject to customary “fiduciary out” provisions which entitle the Fund to consider and accept a superior proposal, subject to the right of the Offeror to match the superior proposal and the payment to the Offeror of a termination fee of \$7.75 million.

In accordance with the Offer and the support agreement, the Fund expects to continue to pay regular monthly distributions to unitholders equal to \$0.1208 per Unit pending payment for units tendered to the Offer.

Stephen Gunn and Christine Magee, the Chief Executive Officer and the President of Sleep Country Canada Inc., respectively, have entered into an agreement with the Offeror that provides for Mr. Gunn’s and Ms. Magee’s continued employment with, and investment in, the Fund following the completion of the Offer. “We are proud of the team that has been built over the last 14 years and are excited to be leading them into the next phase of the company’s growth and development supported by a great set of financial partners.”

The Offeror’s financial advisor is TD Securities Inc. and its legal counsel is Stikeman Elliott LLP. The Independent Committee and the Board of Trustees are receiving financial advice from Genuity Capital Markets and their legal counsel is Goodmans LLP. Legal counsel to the Fund is Davies Ward Phillips & Vineberg LLP.

About Sleep Country Canada Income Fund

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About Birch Hill Equity Partners

With \$1.7 billion in capital under management and 20 partner companies, Birch Hill Equity Partners is the leader in long-term value creation in the Canadian mid-market private equity business. Birch Hill Fund III closed in August 2005 with over \$850 million of committed capital from leading Canadian, U.S., and European investors. The 21 member team at Birch Hill Equity Partners has many years of experience working together as active partners with top management teams in building long term value. Since 1994 the team has invested \$1.3 billion of capital in 42 transactions.

About Westerkirk Capital

Westerkirk Capital is a private investment firm based in Toronto, Ontario. Westerkirk Capital's investment objective is to build and own strong businesses over the long-term. Westerkirk Capital is a patient investor and has established a reputation in Canada as a strong business partner. It owns a portfolio of businesses built and acquired over the past 20 years and includes substantial holdings in the hospitality, aviation, manufacturing and real estate sectors.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements. The statements that are not historical facts contained in this press release are forward-looking statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this press release. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the completion of the Offering. While the Fund anticipates that subsequent events and developments may cause the Fund's views to change, the Fund specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Fund's views as of any date subsequent to the date of this press release. Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Fund. Further information can be found in the disclosure documents filed by Sleep Country Canada Income Fund with the securities regulatory authorities, available at www.sedar.com.