MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer:

Sterling Shoes Income Fund (the "**Fund**")
2580 Viscount Way
Richmond, British Columbia
V6V 1N1

2. Date of Material Change:

December 17, 2009

3. News Release:

A press release was issued by the Fund on December 17, 2009 and disseminated through the facilities of Marketwire. A copy of the press release has also been filed on SEDAR.

4. Summary of Material Change:

The Fund has suspended its monthly distributions effective immediately.

5. Full Description of Material Change:

5.1 Full Description of Material Change:

The Fund announced December 17, 2009 that in light of current economic conditions and the Fund's objective to maintain financial flexibility, the Trustees have suspended Sterling's monthly distributions effective immediately.

"Since the launch of the Fund in July 2005, we have returned $38.4 million to our unitholders," said Jeremy Horwitz, President and Chief Executive Officer of Sterling Shoes Income Fund. "We are continuing our efforts to strengthen the Fund's balance sheet by conserving cash through cost reductions, inventory management and restricting capital spending. We believe our efforts will position Sterling for sustainable long-term earnings growth once economic conditions improve.

The Trustees will continue to assess the status of distributions as economic conditions improve."

5.2 Disclosure for Restructuring Transactions:

Not Applicable.

6. Reliance on subsection 7.1(2) of National Instrument 51-102:

Not Applicable.

7. Omitted Information:

Not Applicable.

8. Executive Officer:

Daniel Gumprich, Chief Financial Officer

Telephone: (604) 270-6114

9. Date of Report:

December 17, 2009