FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Sterling Shoes Income Fund
2580 Viscount Way
Richmond, BC
V6V 1N1 Canada
(the "Fund")

Item 2. Date of Material Change

May 19, 2010.

Item 3. News Release

On May 19, 2010, the Fund issued a news release through the newswire services of Marketwire. A copy of the press release is attached as Schedule "A".

Item 4. Summary of Material Change

The Fund announced that the Supreme Court of British Columbia had approved the calling of a meeting of its unitholders to approve its conversion from an income trust structure to a publicly traded corporation at its annual meeting scheduled for June 24, 2010. The Fund also announced that unitholders will be asked to approve a post-conversion shareholder rights plan at the meeting.

Item 5. Full Description of Material Change

Sterling Shoes Income Fund announced that the Supreme Court of British Columbia has approved the calling of a meeting of its unitholders to approve its conversion from an income trust structure to a publicly traded corporation called "Sterling Shoes Inc." at its annual meeting scheduled for June 24, 2010. If approved by unitholders at the meeting and the Supreme Court of British Columbia, the conversion is expected to be completed on July 1, 2010.

Unitholders will also be asked to approve a post-conversion shareholder rights plan for Sterling Shoes Inc. The shareholder rights plan is substantially similar to other shareholder rights plans that have been adopted by a number of leading Canadian companies and ratified by their shareholders. Neither the Fund nor Sterling Shoes Inc. is aware of any specific take-over bid for the Fund or Sterling Shoes Inc. that has been made or is contemplated.

The proposed conversion transaction was announced by the Fund in its news release of April 22, 2010. Under the conversion transaction, the business of the Fund is to be conducted by a new corporation, Sterling Shoes Inc. Unitholders will receive one common share of Sterling Shoes Inc. for each unit of the Fund held by them. In addition, SSI Investments Inc. will exchange its 20% indirect interest in the Fund for common shares of Sterling Shoes Inc., representing upon completion of the conversation transaction, 20% of the issued and outstanding shares of Sterling Shoes Inc.

Detail of the conversion transaction and the shareholders rights plan and other information regarding the meeting are described in the Information Circular of the Fund to be sent to unitholders on or about May 25, 2010 in connection with the conversion transaction and other matters to be considered at the meeting.

See the press release attached hereto as Schedule "A" for a full description of the material change.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

For further information, please contact Daniel S. Gumprich, Chief Financial Officer, at 604-270-6114.

Item 9. Date of Report

May 21, 2010

STERLING SHOES INCOME FUND

"*Daniel S. Gumprich*"
Signature

Daniel S. Gumprich, Chief Financial Officer
Name and Position of Signatory

SCHEDULE "A"

Sterling

STERLING SHOES LIMITED PARTNERSHIP

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

FOR RELEASE – May 19, 2010

Attention Business / Financial Editors:

STERLING SHOES INCOME FUND ANNOUNCES CALLING OF MEETING TO CONVERT TO A CORPORATION

Not for distribution to U.S. news wire services or dissemination in the U.S.

TRADING SYMBOL: Toronto Stock Exchange – SSI.UN

VANCOUVER, BC – May 19, 2010 /CNW/ - Sterling Shoes Income Fund (the "Fund") today announced that the Supreme Court of British Columbia has approved the calling of a meeting of its unitholders to approve its conversion from an income trust structure to a publicly traded corporation called "Sterling Shoes Inc." at its annual meeting scheduled for June 24, 2010. If approved by unitholders at the meeting and the Supreme Court of British Columbia, the conversion is expected to be completed on July 1, 2010.

In addition, unitholders will be asked to approve a post-conversion shareholder rights plan for Sterling Shoes Inc. If approved, the shareholder rights plan will ensure, to the extent possible, that shareholders of Sterling Shoes Inc. are treated fairly in the event that a take-over bid is made for Sterling Shoes Inc., and will provide the board of directors of Sterling Shoes Inc. sufficient time to evaluate unsolicited take-over bids and to explore, develop and pursue alternatives that could maximize shareholder value. The shareholder rights plan is substantially similar to other shareholder rights plans that have been adopted by a number of leading Canadian companies and ratified by their shareholders. Neither the Fund nor Sterling Shoes Inc. is aware of any specific take-over bid for the Fund or Sterling Shoes Inc. that has been made or is contemplated.

The proposed conversion transaction was announced by the Fund in its news release of April 22, 2010. Under the conversion transaction, the business of the Fund is to be conducted by a new corporation, Sterling Shoes Inc. Unitholders will receive one common share of Sterling Shoes Inc. for each unit of the Fund held by them. In addition, SSI Investments Ltd. will exchange its 20% indirect interest in the Fund for common shares of Sterling Shoes Inc., representing upon completion of the conversation transaction, 20% of the issued and outstanding shares of Sterling Shoes Inc.

The Fund also announced that management's nominees as trustees of the Fund include two new nominees: James M.I. Bruce and Steven P. Richardson in addition to the existing trustees: Richard T. Mahler, Allen R. Sello, Solomon Oshry, Q.C. and Mannie Druker. Mr. Bruce is an investment banker and has held senior investment banking positions with national investment dealers in Canada as well as serving as a director on a number of both public and private entities. Mr. Richardson was the Chief Financial Officer at Hudson's Bay Company, a national retail group of companies, from 2006 through to 2009 and has also held senior executive positions with, and served on the boards of directors of, several financial services institutions.

STERLING SHOES LIMITED PARTNERSHIP

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

Detail of the conversion transaction and the shareholders rights plan and other information regarding the meeting are described in the Information Circular of the Fund to be sent to Unitholders on or about May 25, 2010 in connection with the conversion transaction and other matters to be considered at the meeting.

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 160 stores (as at May 18, 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
Daniel Gumprich, Chief Financial Officer
(604) 270 6114