MATERIAL CHANGE REPORT

Subsection 75(2) of the *Securities Act* (Ontario) and equivalent sections in the securities acts of each of the other provinces of Canada

1. **Reporting Issuer**

   Hy & Zel's Inc.
   7171 Yonge Street
   Thornhill, Ontario
   L3T 2A9

2. **Date of Material Change**

   December 20, 2002.

3. **Press Release**

   A Press Release was issued on December 20, 2002.

4. **Summary of Material Change**

   Hy & Zel's Inc. (the "Company") (TSE:HZI) has announced that it had received a proposal from Zelick Goldstein, the Chief Executive Officer of Hy & Zel's, with respect to the possible privatization of Hy & Zel's.

5. **Full Description of Material Change**

   Mr. Goldstein has made a proposal to the Company whereby he or a company controlled by him ("Acquisitionco") would be prepared to pay CDN. $2.25 in cash per common share to the shareholders of Hy & Zel's (other than Mr. Goldstein). Mr. Goldstein owns or controls 1,054,200 common shares representing approximately 36.4% of the outstanding common shares.

   Mr. Goldstein, Acquisitionco and Hyman Himmel have entered into a lock-up agreement pursuant to which Hyman Himmel has agreed to support the proposed privatization and vote the 1,000,000 common shares controlled by him, representing approximately 34.5% of the outstanding common shares, in favour of the proposed privatization.

   An independent committee of the board of directors of Hy & Zel's has been formed to review the proposal and to make a recommendation to the board of directors and shareholders of Hy & Zel's. The implementation of the transaction would be subject to the formal valuation requirements of Ontario Securities Commission Rule 61-501 and approval by the minority shareholders of Hy & Zel's. It is expected that the transaction, if approved, would be completed during the first quarter of 2003.

6. **Reliance on Subsection 75(3) of the *Securities Act* (Ontario)**

Not applicable.

7. **Omitted Information**

Not applicable.

8. **Senior Officer**

For further information contact Zelick Goldstein, the Chief Executive Officer of the Company or Gary Himmel the Chief Financial Officer of the Company at (905) 886-7171.

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 6th day of January, 2003.

HY & ZEL'S INC.

Per: "Gary Himmel"
Gary Himmel
Chief Financial Officer