OSF INC.

MATERIAL CHANGE REPORT

1. Reporting Issuer:

OSF Inc.
650 Barmac Drive
Weston, Ontario
M9L 2X8

2. Date of Material Change

Events described below occurred during the period December 3, 1999 to December 10, 1999.

3. Press Releases

Press releases were issued on December 3, December 6 and December 10, 1999 through Canadian Corporate News.

4. Summary of Material Change

On December 3, 1999, OSF Inc. ("OSF") announced that it had entered into a support agreement (the "Support Agreement") with a wholly-owned subsidiary of Centre Partners Management LLC ("Centre Partners") whereby the subsidiary of Centre Partners agreed to make, or cause another subsidiary of Centre Partners to make, an offer to purchase all outstanding common shares ("Common Shares") of OSF for $7.10 cash per Common Share.

On December 6, 1999, OSF mailed its directors' circular (the "RLT Directors' Circular") responding to an offer made by Royal Laser Tech Corporation ("Royal Laser") to purchase all of the Common Shares on the basis of one share of Royal Laser per Common Share (the "Royal Laser Offer"). The Board of Directors indicated in the RLT Directors' Circular that it had concluded that the offer to be made by a subsidiary of Centre Partners would be superior to the Royal Laser Offer. The Board of Directors recommended that shareholders ("Shareholders") of OSF not accept the Royal Laser Offer, at that time, subject to the satisfaction by Centre Partners of its obligation to make its offer to all Shareholders.

On December 10, 1999, OSF announced that O Acquisition Corp., an indirect subsidiary of Centre Partners, was mailing its cash offer to purchase all of the outstanding Common Shares at a price of $7.10 cash per Common Share (the "Centre Partners Offer") and that OSF was concurrently mailing its directors' circular (the "CPM Directors' Circular") responding to such offer. The Board of Directors recommended in the CPM Directors' Circular that Shareholders accept the Centre Partners Offer and deposit their Common Shares to the Centre Partners Offer.

5. Full Description of Material Change

On December 2, 1999, O Holdings Corp. (formerly 1378213 Ontario Inc.), a wholly-owned subsidiary of Centre Partners, and OSF entered into the Support Agreement pursuant to which O Holdings Corp. agreed to make the Centre Partners Offer or to cause O Acquisition Corp. (formerly 1386185 Ontario Inc.) (the “Offeror”), an indirect subsidiary of Centre Partners, to make the Centre Partners Offer.

The Support Agreement provides, among other things, that O Holdings Corp. will not amend the terms of the Centre Partners Offer other than to increase the consideration offered for the Common Shares, to extend the period during which Common Shares may be deposited to the Centre Partners Offer, or waive any condition of the Centre Partners Offer, except with the prior consent of OSF.

OSF agreed and represented that the Board had determined unanimously to use its and their respective best efforts to enable O Holdings Corp. and the Offeror to elect or appoint such number of members of the Board, and any committees thereof, as is proportionate to the percentage of the outstanding Common Shares owned by O Holdings Corp. and the Offeror as soon as possible after the Offeror takes up and pays for in excess of 50% of the Common Shares pursuant to the Centre Partners Offer (the time of such election or appointment is referred to as the “Effective Time”).

OSF agreed and represented that the Board had unanimously resolved to use its and their respective reasonable efforts to encourage all persons holding options to purchase Common Shares (“Options”) which have an exercise price that is lower than the price offered pursuant to the Centre Partners Offer to exercise their Options prior to the expiry of the Offer and to tender all OSF Shares issued in connection therewith to the Offer. If both the Offer and a subsequent acquisition transaction are completed successfully, O Holdings Corp. intends to offer or cause the Offeror to offer to exchange any outstanding Options for like securities of a successor corporation to OSF that may result from a subsequent acquisition transaction. Alternatively, if mutually agreed by O Holdings Corp. or the Offeror and the holders of outstanding Options, O Holdings Corp. or the Offeror may purchase such Options for cancellation for the cash value thereof.

If the Offer is completed successfully, O Holdings Corp. intends to arrange for OSF to offer to purchase all the outstanding $85,000,000 principal amount 8.40% senior debentures due July 22, 2003 (the “Debentures”) at a price not in excess of 101% of the principal amount outstanding plus all accrued and unpaid interest thereon in accordance with the provisions of the trust indenture in respect of the Debentures. Alternatively, if mutually agreed by O Holdings Corp., OSF and the holders of a sufficient principal amount of the Debentures, the terms and provisions of the Debentures may be modified.

OSF agreed that it will not, directly or indirectly, solicit, initiate or encourage (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiry in respect of or the making of any Acquisition Proposal (as defined below) provided that the Board may consider, negotiate, approve and recommend to the Shareholders an unsolicited *bona fide* written Superior Proposal (as defined below) that is not matched or bettered by the Offeror and O Holdings Corp. within a period of not less than five business days. Neither OSF nor the Board shall accept or recommend any Superior Proposal unless (a) the Offeror and O Holdings Corp. have been provided an opportunity for a period of not less than five business days to match or better the price or value of the consideration per Common Share or the proposal offered under the Superior Proposal and (b) the Offeror or O Holdings Corp. has not, prior to the expiry of such period, matched or bettered the price or value of the consideration per Common Share or the proposal offered under the Superior Proposal.

Under the Support Agreement, OSF is permitted to provide such information as has been previously provided to potential bidders to any potential bidder that enters into a confidentiality agreement with OSF provided that OSF not solicit any potential bidder or other party and OSF shall advise O Holdings Corp. promptly upon providing such information to any such potential bidder. OSF is permitted to waive the standstill provisions in any confidentiality agreement solely for the purposes of enabling the party to such standstill provisions to make and consummate a Superior Proposal for all of the Common Shares. OSF also agreed to waive the standstill provisions under its confidentiality agreement with Centre Partners solely for the purpose of enabling the Offeror to make and consummate the Centre Partners Offer.

Pursuant to the terms of the Support Agreement, OSF has agreed to pay to O Holdings Corp. a fee of $6,000,000 (or in the case of an event described in (iii) below $2,000,000) in the event that: (i) the Board withdraws, redefines or changes any of its recommendations, resolutions or determinations, in respect of the Centre Partners Offer, the Support Agreement or the actions contemplated thereby, in a manner adverse to the Offeror or O Holdings Corp., or resolves to do so; (ii) any person or group other than the Offeror or O Holdings Corp. acquires by any means whatsoever during the term of the Centre Partners Offer such number of Common Shares so as to own in excess of 50% of the Common Shares; (iii) an Acquisition Proposal is made to the Shareholders or to OSF, or the currently outstanding Acquisition Proposal by Royal Laser is amended to increase the consideration offered thereunder and upon the expiry of the Centre Partners Offer or any subsequent offer by O Holdings Corp., the minimum condition of 66 **b**% of the Common Shares being deposited under the Centre Partners Offer or any subsequent offer and not withdrawn has not been satisfied; or (iv) OSF breaches in any material respect any of its representations, warranties or covenants made in the Support Agreement (each, a “Fee Event”). Any such payment shall be made by OSF within three business days of the first event giving rise to the payment obligations in immediately available funds.

In addition, if the Centre Partners Offer is not consummated for any reason (other than an event as provided above), then OSF shall pay to O Holdings Corp. and the Offeror such amount as will reimburse O Holdings Corp. and the Offeror for all reasonable expenses up to a maximum of $2,000,000 incurred by O Holdings Corp., the Offeror and their affiliates in connection with the Support Agreement, the Centre Partners Offer and the transactions contemplated thereby, such amount to be due and payable within three business days after receipt of a written request from O Holdings Corp. or the Offeror for such reimbursement.

The Support Agreement may be terminated at any time prior to the Effective Time: (i) by mutual written consent of O Holdings Corp. and OSF; (ii) by O Holdings Corp. or OSF after February 28, 2000 if the Offeror has not become legally obligated to accept and take-up any Common Shares pursuant to the Centre Partners Offer by such date; (iii) by either O Holdings Corp. or OSF, if any condition set forth in the Support Agreement has not been satisfied or waived on the expiry of the Centre Partners Offer, as the same may be extended from time to time by the Offeror pursuant to the terms of the Centre Partners Offer; (iv) by O Holdings Corp. at any time following the occurrence of a Fee Event; and (v) by OSF if O Holdings Corp. has materially breached (and not remedied within the specified period) one of its covenants to OSF under the Support Agreement, provided that no Fee Event has occurred.

The representation and warranties of OSF contained in the Support Agreement include standard representations with respect to: (i) the due incorporation and organization of OSF; (ii) the capitalization of OSF and its subsidiaries; (iii) the financial position of OSF and its subsidiaries; (iv) the completeness of the public record of OSF; (v) the conduct of the business of OSF pending completion of the Centre Partners Offer; and (vi) the absence of any Material Adverse Effect (as defined below).

"Acquisition Proposal" means a proposal or offer from any person relating to any liquidation, dissolution, recapitalization, merger, amalgamation, acquisition or purchase (directly or indirectly) of all or a substantial portion of the assets of, or any interest in (including the Common Shares), OSF or any of its subsidiaries or other similar transaction or business combination (including any sale or issue of securities other than upon the exercise of Options or the warrant held by Limited Factoring, Inc., reorganization, issuer bid, plan of arrangement or reverse take-over bid) involving OSF or any of its subsidiaries.

"Material Adverse Effect" means any condition, event or development which is or would reasonably be expected to have a material adverse effect on or in the business, affairs, properties, capitalization, prospects or financial condition, of OSF and its subsidiaries taken as a whole.

"Superior Proposal" means a proposal made by a third party (i) to purchase more than 50% of the Common Shares, or involving an amalgamation, plan of arrangement, sale of all or a substantial portion of the assets, liquidation or merger or other business combination involving OSF, the effect of which would be that ownership of more than 50% of the Common Shares or a substantial portion of OSF's assets would be transferred to a third party, (ii) that would result in the holders of more than 50% of the Common Shares receiving consideration per Common Share (whether payable wholly in cash, wholly in shares, wholly in debt or any combination of cash and shares and debt) in excess of the aggregate consideration per Common Share proposed to be received by the Shareholders pursuant to the Centre Partners Offer, (iii) by way of take-over bid, tender offer circular or a management information circular in connection with a meeting of Shareholders to consider the proposal, (iv) for which adequate financial commitments to complete the acquisition are in place, and (v) which the Board determines in good faith to be more favourable to Shareholders than the transaction contemplated by the Support Agreement.

6. Reliance on Section 75(3)

The report is not being filed on a confidential basis.

7. Omitted Information

None.

8. Senior Officer

Any enquiries with respect to this material change report or the transactions described herein should be made to:

Joseph Chaulk
Executive Vice-President, Chief Financial Officer and Secretary
OSF Inc.
650 Barmac Drive
Weston, Ontario
M9L 2X8

Telephone: (416) 749-7700

9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 13th day of December, 1999.

(signed)
Joseph P. Chaulk
Executive Vice-President, Chief Financial Officer and Secretary