MATERIAL CHANGE REPORT

1. **Reporting Issuer**

   Saco Smartvision Inc.
   7809 TransCanada Highway
   Saint-Laurent, Quebec
   H4S 1L3

2. **Date of Material Change**

   July 17, 2001

3. **Press Release**

   Saco Smartvision Inc. (the "Corporation") issued a press release with respect to the material change described below on July 19, 2001.

4. **Summary of Material Change**

   The Corporation filed a Plan of Compromise and Arrangement with the Superior Court of the District of Montreal on July 16, 2001. The Corporation has called a meeting of its unsecured creditors for August 16, 2001 to vote on the Plan of Compromise and Arrangement. The Corporation has also called a special meeting of its shareholders for August 16, 2001 to consider matters related to the Plan of Compromise and Arrangement.

5. **Full Description of Material Change**

   On July 16, 2001, the Corporation filed a Plan of Compromise and Arrangement (the "**Plan**") with the Superior Court of the District of Montreal and, on July 17, 2001, obtained an extension until August 23, 2001 of the order initially granted by the Superior Court under the *Companies' Creditors Arrangement Act* on March 15, 2001.

   The key features of the Plan are as follows:

   (i) each unsecured creditor of the Corporation will receive a lump sum payment equal to the lesser of: (a) the amount owing to it by the Corporation; and (b) $1,000;

   (ii) after the foregoing payment, each unsecured creditor will receive one common share of the Corporation for every $1.00 still owed to it by the Corporation. As a result, the Corporation believes that it will issue approximately 40,000,000 common shares;

   (iii) the Corporation's principal banker, as a secured creditor, will be paid as may be arranged with the bank;

   (iv) the Corporation, as well as the assets and property owned, operated or in the possession of the Corporation, will be released from any claims, indebtedness, liabilities, judgments, obligations, charges or encumbrances; and

(v) the present and former shareholders, officers, directors, employees and agents of the Corporation will be released and discharged from any claims, indebtedness, liabilities, judgments or obligations.

Pursuant to the *Companies' Creditors Arrangement Act*, the Corporation's creditors will be called to a creditors' meeting to consider and vote on the Plan. In order for the Plan to be adopted, a majority in number of the Corporation's unsecured creditors, representing at least two-thirds in value of the Corporation's unsecured creditors, present and voting, either in person or by proxy at the meeting of creditors, will have to agree to the Plan. The creditors' meeting will be held on August 16, 2001 in Montreal, Quebec. The Plan must also be approved by order of the Superior Court of the Province of Quebec.

In conjunction with the Plan, the Corporation has arranged new financing in the aggregate amount of $5 million, and is proposing a rights offering and a further financing (collectively, the "**Corporate Reorganization**"). The key features of the Corporate Reorganization are the following:

(i) the private placement to Messrs. Pierre McMaster, Michel Baril and Roger Casgrain of 60,000,000 common shares at a price of $0.05 per share, for total proceeds to the Corporation of $3 million;

(ii) the private placement to Messrs. Fred Jalbout, Bassam Jalbout and Pat Argento of 40,000,000 common shares at a price of $0.05 per share, for total proceeds to the Corporation of $2 million;

(iii) the private placement to one or several investors situated in the United States of a maximum of 60,000,000 common shares at a price of $0.05 per share, for maximum proceeds to Corporation of $3 million, which private placement has yet to be confirmed; and

(iv) subject to regulatory approval, the distribution to the Corporation's current shareholders by way of rights offering of a maximum of 20,221,474 common shares at a price of $0.05 per share, for total proceeds to the Corporation of approximately $1,000,000.

The Corporation has called a special meeting of its shareholders, to be held on August 16, 2001 in Montreal, Quebec, to:

(a) receive and consider the financial statements of the Corporation for the fiscal year ended November 30, 2000 and the auditors' report thereon;

(b) consider and, if deemed advisable, adopt a resolution authorizing the private placements referred to in paragraphs (i) and (ii) above; and

(c) consider and, if deemed advisable, adopt a resolution authorizing the private placement referred to in paragraph (iii) above.

The Board of Directors of the Corporation will not proceed with the private placements unless the Plan is approved by the Corporation's creditors under the CCAA and the Corporation enters into satisfactory arrangements with its principal bank. If all such matters are approved, it is expected that the closing of the private placements and the issuance of shares to the Corporation's unsecured creditors will take place on or about September 14, 2001.

6. **Reliance on Section 75(3)**

Not applicable.

7. **Omitted Information**

Not applicable.

8. **Senior Officer**

The senior officer who can answer questions regarding this report is Mr. Fred Jalbout, Chairman of the Board, President and Chief Executive Officer of Saco. Mr. Jalbout can be reached at (514) 745-0310.

9. **Statement of Senior Officer**

The foregoing accurately disclosed the material change referred to herein.

SIGNED the 20th day of July, 2001 at Saint-Laurent, Quebec.

(signed) Fred Jalbout
Chairman of the Board, President and Chief Executive Officer