MATERIAL CHANGE REPORT

UNDER SECTION 118(1) OF THE *SECURITIES ACT* (ALBERTA) (FORM 27)
UNDER SECTION 75(2) OF THE *SECURITIES ACT* (ONTARIO) (FORM 27)

1. Reporting Issuer:

   Net Shepherd Inc.
   900, 800 – 6th Avenue S.W.
   Calgary, Alberta
   235

2. Date Of Material Change: February 16, 2000

3. Press Release:

   A news release disclosing the nature and substance of the material change was issued and disseminated on February 21, 2000.

4. Summary Of Material Change:

   On February 16, 2000, Net Shepherd Inc. ("Net Shepherd") entered into a share exchange agreement pursuant to which it will acquire, subject to shareholder and regulatory approval, all of the shares and options of ClickChoice.com, Inc. ("ClickChoice") in exchange for the issuance of common shares and options to acquire common shares of Net Shepherd. As part of the transaction, Net Shepherd will enter into a software development arrangement with Vanenburg Group BV ("Vanenburg"), the major shareholder of ClickChoice and a holder of more than 10% of the issued and outstanding common shares of Net Shepherd, whereby Net Shepherd will obtain software development services and a technology cross-licensing arrangement with Vanenburg and its affiliates. In addition, Vanenburg has agreed to make a $9 million (US $6 million) private placement into Net Shepherd.

5. Full Description Of Material Change:

   Proposed Enhanced Business Transactions

   On February 16, 2000, Net Shepherd entered into a share exchange agreement pursuant to which it will acquire all of the shares and options of ClickChoice in exchange for the issuance of an aggregate of 27,819,901 common shares of Net Shepherd ("Common Shares") and the issuance of options to acquire Common Shares pursuant to Net Shepherd's incentive stock option plan. As part of the transaction, Net Shepherd will enter into a software development arrangement with Vanenburg, the major shareholder of ClickChoice and a holder of more than 10% of the issued and outstanding Common Shares of Net Shepherd, whereby Net Shepherd will obtain software development services valued at $11.25 million (US $7.5 million), in exchange for the issuance of 2.5 million Common Shares, and a technology cross-licensing arrangement with Vanenburg and its affiliates. In addition, Vanenburg has agreed to make a $9 million (US $6 million) private placement into Net Shepherd at a subscription price of $3 (US $2) per common share, a maximum of $3 million (US $2 million) of which will be used to repay indebtedness of ClickChoice to Vanenburg. Collectively, the acquisition of all the securities of ClickChoice, the software development arrangement with Vanenburg, and the $9 million (US $6 million) private placement are referred to in this Material Change Report as the "Enhanced Business Transactions".

The Enhanced Business Transactions require shareholder approval and will be submitted to the shareholders of Net Shepherd at a meeting to be held on March 21, 2000. An information circular (the "Information Circular") in respect of the matters of business to be put before the shareholders has been sent to each shareholder and filed with the Canadian Venture Exchange, the Alberta Securities Commission and the Ontario Securities Commission. A full description of the Enhanced Business Transactions, the current business of Net Shepherd and the current business of ClickChoice, along with an executive summary of the business plan for the combined Net Shepherd and ClickChoice, the full text of the Valuation Report and Fairness Opinion prepared by Yorkton Securities Inc. and an executive summary of the software development arrangements are contained in the Information Circular.

ClickChoice is a private Internet information company with headquarters in Atlanta, Georgia. ClickChoice generates and distributes online user data in real time to enable e-marketers to precisely target individuals. In exchange for demographic data, ClickChoice offers free software to consumers that enhance the value, security and relevance of their Internet experience. The non-personally identifiable data is provided to marketers for real-time targeted marketing.

Pursuant to a loan letter agreement between Net Shepherd and Vanenburg dated December 23, 1999, Vanenburg has loaned $7.5 million (US $5 million) to Net Shepherd. If the Enhanced Business Transactions are completed, these loans will be automatically converted into Common Shares on the basis of one Common Share per $3 (US $2) principal amount of loan. If the Enhanced Business Transactions are not completed, these loans are automatically converted into first preferred shares of Net Shepherd on the basis of one first preferred share per $3 (US $2) principal amount of loan. The first preferred shares will have a priority over the Common Shares upon dissolution but will otherwise have the same attributes as the Common Shares. These first preferred shares will be convertible into Common Shares on a one for one basis and will be retractable at the option of the Corporation.

The Share Exchange Agreement provides that each ClickChoice common share will be exchanged for 2.22559 Common Shares of Net Shepherd. The exchange ratio of 2.22559 Common Shares of Net Shepherd for each common share of ClickChoice was derived by negotiation between the parties and by reference to the valuation prepared by Yorkton Securities Inc. Each ClickChoice option will be exchanged for 2.22559 Net Shepherd options. The price of each Net Shepherd option so issued will be determined according to the following formula:

$$\begin{array}{l} \textit{Exercise Price of} \\ \textit{Net Shepherd} \\ \textit{Options} \end{array} = \begin{array}{l} \textit{Exercise Price} \\ \textit{of ClickChoice} \\ \textit{Options} \end{array} \times \begin{array}{l} \textit{U.S. currency} \\ \textit{exchange} \\ \textit{rate} \end{array} \times \frac{1}{2.22559}$$

In connection with the Enhanced Business Transactions, Vanenburg has committed to make available to Net Shepherd, to fund the implementation of Net Shepherd's business plan, a backup credit facility during the 2000 fiscal year to a maximum of US $10 million. The terms of the credit facility are a 4% interest rate, repayment over 30 months, and security (by means of a pledge of the shares of ClickChoice) will be granted to Vanenburg.

Relationship of ClickChoice and Vanenburg with Net Shepherd

ClickChoice (as assignee of The McLellan Software Center, LLC ("TMSC")) has been a customer of Net Shepherd since July of 1998. Pursuant to a development agreement between these parties, ClickChoice has been or will be funding up to approximately $3,200,000 of the costs of developing Net Shepherd's Internet Community Management System 2.0 ("ICMS 2.0") platform and the database for Internet filtering. ClickChoice has a co-ownership interest in the ICMS technology and database and an exclusive license to use the ICMS 2.0 platform and future improvements for Internet content assurance and targeted marketing only. The database for Internet filtering is co-owned by ClickChoice and Net Shepherd, for use solely by ClickChoice for content assurance applications.

Vanenburg and TMSC founded ClickChoice in August of 1998. Vanenburg owns 82% of the issued and outstanding shares of ClickChoice with the balance being owned by TMSC.

Vanenburg has been a shareholder of Net Shepherd since July of 1998. At the annual general meeting of shareholders of Net Shepherd in May of 1999, Jan-Dirk van de Geer, a nominee of Vanenburg, was appointed to the Board of Directors of Net Shepherd. In July of 1999, Vanenburg increased its shareholdings in Net Shepherd to 3,333,333 or approximately 10.5% of the issued and outstanding shares of Net Shepherd as at July 1999.

Background to the Enhanced Business Transactions

Commencing in 1998, Net Shepherd began considering possible business combinations with various potential candidates. The primary objective of these initiatives was to acquire one or more complementary technologies that would enhance the deliverability and functionality of Net Shepherd's ICMS platform and also enhance Net Shepherd's ability to raise capital.

In September of 1999, Net Shepherd and Vanenburg had preliminary discussions regarding the advantages of a possible business combination among Net Shepherd, ClickChoice and Vanenburg. These periodic discussions included a review of various possible structures and the regulatory, tax and other issues associated with each structure. These discussions culminated in a meeting of the Board of Directors of Net Shepherd on October 8, 1999 in which the Board agreed in principle to pursue the acquisition of ClickChoice along with the private placement and a software development arrangement with Vanenburg. The purpose of these other initiatives was to provide Net Shepherd with much needed capital plus access to Vanenburg's significant software development expertise.

Subsequent to the October 8, 1999 board meeting, Net Shepherd began conducting its initial due diligence regarding the Enhanced Business Transactions and established a committee of independent directors (the "Special Committee") to review the Enhanced Business Transactions and to report to the Board of Directors on whether such transactions are in the best interests of Net Shepherd and fair to the minority shareholders of Net Shepherd.

On November 26, 1999, Net Shepherd executed a non-binding letter of intent with Vanenburg, ClickChoice and TMSC with respect to the Enhanced Business Transactions.

Special Committee Review

The Special Committee consists of Owen Pinnell (Chairman) and Jacob Halldorson. No member of the Special Committee is an employee of Net Shepherd or an officer, employee or shareholder of ClickChoice or Vanenburg. None of the members of the Special Committee will benefit from the Enhanced Business Transactions in a manner that is different from the minority shareholders of Net Shepherd.

The Special Committee retained Macleod Dixon as legal counsel to the Special Committee. Macleod Dixon acts as general corporate counsel to Net Shepherd. Macleod Dixon reviewed the share ownership of Vanenburg in Net Shepherd and the magnitude of the Enhanced Business Transactions and concluded that the Enhanced Business Transactions were a “related party transaction” under Ontario Securities Commission Policy 9.1. This characterization triggered the valuation and minority approval requirements under that Policy. Macleod Dixon also advised the Special Committee as to its role and responsibility in evaluating and making a recommendation to the Board in connection with the Enhanced Business Transactions.

The Special Committee also retained Yorkton Securities Inc. (“Yorkton”), a major Canadian investment dealer with particular experience in the area of high tech financings, as its independent financial advisor in connection with the Enhanced Business Transactions. On November 4, 1999, the Special Committee asked Yorkton to prepare and deliver valuations of ClickChoice and Net Shepherd and an opinion as to the fairness of the acquisition of ClickChoice to the minority shareholders of Net Shepherd. The terms of Yorkton’s engagement provide that Yorkton is to be paid a fee of $375,000 for its services in preparing the valuation report and fairness opinion and is to be reimbursed for its reasonable out-of-pocket expenses.

Valuation and Fairness Opinion of Yorkton

Yorkton is an independent Canadian investment banking firm with experience in providing valuations and fairness opinions in transactions involving publicly traded Canadian companies in a variety of industries. In preparing the valuation report and fairness opinion (the “Yorkton Report”), Yorkton reviewed and relied upon certain financial and business information for Net Shepherd and ClickChoice (obtained from public sources and from Net Shepherd and ClickChoice), reports, discussions, investigations, the agreements prepared for the Enhanced Business Transactions and publicly available information. Yorkton has relied upon and assumed the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of Net Shepherd and ClickChoice and their consultants and advisors.

On December 10, 1999, the Special Committee received an initial draft of the Yorkton Report. On various occasions (both before and after the delivery of the draft Yorkton Report), the Special Committee had meetings with representatives of Yorkton and reviewed the valuation, methodologies and analyses which Yorkton considered in the preparation of its valuation and fairness opinion and the preliminary results of such methodologies.

On January 13, 2000, Yorkton met with the Board of Directors of Net Shepherd to explain the draft Yorkton Report. However, as the formal documentation for the Enhanced Business Transactions was still being negotiated and had not been reviewed by Yorkton, the draft Yorkton Report could not be finalized at that time.

During January of 2000 and the first half of February, 2000, the Special Committee received and considered further drafts of the Yorkton Report. The final Yorkton Report was delivered to the Special Committee on February 16, 2000.

<u>The Valuation</u>

In completing the Valuation contained in the Yorkton Report, Yorkton relied on the concept of "value" as provided by the definition of "fair market value", defined as the highest price, in terms of money or money's worth, that a willing and informed purchaser would be willing to pay a similarly informed seller in an open and unrestricted market and where each is acting at arm's length over a period of time sufficient to determine values and potential buying interest, and where neither party is under any compulsion to enter into a transaction.

The approaches used by Yorkton in determining the fair market value of both Net Shepherd and ClickChoice were: comparable company trading analysis, precedent transaction analysis, market value analysis, discounted cash flow analysis and intrinsic value analysis. The following is a summary of Yorkton's analysis under each of these approaches:

(i) Under the comparable company trading analysis, the objective is to utilize appropriate capitalization multiples derived from a sample of publicly traded comparable companies to derive a stock market trading price. Yorkton reviewed the comparable company trading methodology and concluded that, although there is a limited universe of companies substantially comparable for the purposes of valuation of the common shares of Net Shepherd and ClickChoice, this analysis is useful in determining the range of trailing and forward price to revenue multiples applicable to Internet companies. Yorkton's analysis produced different multiples for Net Shepherd versus ClickChoice as ClickChoice operates in a different sector of the Internet and the companies comparable to each of Net Shepherd and ClickChoice, employed in the analysis, were different. Multiples in the Internet area, especially for companies in ClickChoice's sector, are at very high levels as compared to traditional market valuations. Using this method of analysis, the valuation range for Net Shepherd is $68.6 million to $138.5 million and for ClickChoice is $84.4 million to $168.8 million.

(ii) Yorkton considered and determined the precedent transaction analysis approach was not an applicable valuation method since there are no other publicly disclosed precedent transactions with the combination of factors present in the Enhanced Business Transactions.

(iii) Yorkton used the market value analysis approach, based on the 20-day and 100-day average trading prices as of November 29, 1999 as well as the spot price as of the date of the Yorkton Report. These calculations produced a valuation range of $111.7 million to $162.1 million.

(iv) The discounted cash flow analysis was also considered by Yorkton and was determined to be an inapplicable approach due to the lack of a significant track record for both companies and the fact that both companies are forecasting exponential growth rates.

(v) Under the intrinsic value analysis approach, Yorkton combined the investment to date in research and development and the acquisition of any technology from a third party and applied a multiple to that value to determine a value range for invested capital. These calculations produced a valuation range of $11.7 million to $17.6 million for Net Shepherd and a valuation range of $18.8 million to $28.1 million for ClickChoice.

In valuing Net Shepherd, Yorkton used three separate approaches: the comparable companies approach (slightly underweighted at 30% because there was a limited field of appropriate comparable companies), the intrinsic value approach (also underweighted at 30% to account for there being more to the Net Shepherd brand than just research and development spent to date) and the market value approach (overweighted at 40% because the market provides a tangible valuation measure for Net Shepherd). Yorkton noted that the valuation of Net Shepherd yielded a value that is below current market value, and accounted for that in two ways: (i) Yorkton believes there is execution risk with respect to Net Shepherd's business plan, which requires a substantial discount to Net Shepherd's projections; and (ii) Yorkton believes that the multiples accorded by public markets to Internet commerce companies are significant due to expectations of exponential growth, and traditional valuation practices are not aligned with that development.

In valuing ClickChoice, Yorkton used only two approaches, weighted evenly: comparable companies analysis and intrinsic value analysis.

The following is a summary of the conclusions of the valuation contained in the Yorkton Report (attached as Schedule D to the Information Circular) and is qualified in its entirety by the Yorkton Report:

1. Based upon and subject to the analysis attached as Schedule D, Yorkton is of the opinion that the fair market value of Net Shepherd is in the range of $68.7 and $111.6 million.

2. Based upon the analysis attached and the associated assumptions, Yorkton is of the opinion that the fair market value of ClickChoice is in the range of $51.6 to $98.4 million.

The Fairness Opinion

In the Yorkton Report, Yorkton concluded that the exchange ratio of 2.22559 Common Shares of Net Shepherd for each share of ClickChoice is fair, from a financial point of view, to shareholders of Net Shepherd other than Vanenburg (the "Minority Shareholders"). In reaching this conclusion, Yorkton considered certain quantitative and qualitative assessments including, without limitation, the following:

1. The exchange ratio is within the valuation ranges determined by Yorkton for the shares of Net Shepherd and ClickChoice.

2. The benefits of the Enhanced Business Transactions as outlined under "Recommendations of the Special Committee".

3. The terms of the Share Exchange Agreement.

4. The agreement by Vanenburg to make the private placement, to provide services to Net Shepherd under the Development Agreement and to share technology with Net Shepherd under the Cross-Licensing Agreement.

5. Vanenburg's presence and relationships in Europe, along with its track record of building companies, should result in Net Shepherd having greater access to capital and new business markets and should augment Net Shepherd's execution of its business plan.

6. The fact that the terms of the Acquisition were established by willing parties in arm's length negotiations and are subject to Minority Shareholder approval and the consent of the Canadian Venture Exchange.

Yorkton believes no distinctive material advantage will accrue to Vanenburg as a result of the Acquisition.

Recommendations of the Special Committee

The Special Committee unanimously concluded that the Enhanced Business Transactions are fair to minority shareholders of Net Shepherd and are in the best interests of Net Shepherd, and unanimously recommended that the Board of Directors approve the Enhanced Business Transactions and recommend that the shareholders of Net Shepherd vote in favour of the Enhanced Business Transactions.

The conclusions reached by the Special Committee were based upon the following factors:

(a) the close synergies between the businesses and technologies of ClickChoice and Net Shepherd and the anticipated benefits of consolidating these technologies under one corporate structure (which will eliminate any restrictions on use);

(b) the improved speed of bringing Net Shepherd’s products to market that should result from access to software development resources in India and the use of Vanenburg’s sophisticated development methodology;

(c) the increased access to capital that can be used to meet the go-to-market funding needs of Net Shepherd’s US-based application companies;

(d) the new revenue opportunities that should result from the Cross-Licensing Agreement with the Vanenburg group of companies;

(e) the Software Development Agreement is payable in shares (which helps conserve cash within Net Shepherd) and has an estimated value of between $12 to $15 million because of lower pricing in India;

(f) Yorkton’s valuation of ClickChoice and Net Shepherd;

(g) Yorkton’s fairness opinion;

(h) the opportunities for increased organizational effectiveness in such areas as software development project management and marketing;

(i) the benefits of combining the consumer and business intelligence operations and their access to ClickChoice’s experienced marketing, business development and project personnel;

(j) the benefits of an increased US presence in high tech regions;

(k) the anticipated benefits of being associated with Jan Baan and the Vanenburg group of companies, which should enhance Net Shepherd's ability to raise new capital and to forge new relationships with tier one financiers;

(l) the creation of a more diverse management team; and

(m) the Enhanced Business Transactions are subject to the approval of the majority of the minority shareholders of Net Shepherd.

In expressing the above views, the Special Committee did not, and could not, provide any assurances that the anticipated advantages and results would be achieved.

The Special Committee determined that it was impractical to, and therefore did not, quantify or otherwise assign relative weight to the specific factors it considered in reaching its conclusion regarding the fairness of the Enhanced Business Transactions. However, the Special Committee assigned relatively greater weight to the Yorkton Report and the perceived impact of the Enhanced Business Transactions upon Net Shepherd's ability to achieve its major strategic objectives.

Recommendation of the Board of Directors

At a meeting of the Board of Directors of Net Shepherd held on February 16, 2000, the Special Committee presented its report to the Board of Directors detailing the determinations and recommendations of the Special Committee. After discussion of this matter, and after considering this report and the Yorkton Report, the Board of Directors unanimously adopted the Special Committee's report and recommendation and approved the Enhanced Business Transactions (including entering into the Share Exchange Agreement).

The Board of Directors unanimously recommends that the shareholders of Net Shepherd vote in favour of the Enhanced Business Transactions.

In view of the fact that the Enhanced Business Transactions involve ClickChoice and Vanenburg, the one director present at the meeting who is also a director of ClickChoice and a representative of Vanenburg abstained from voting in respect of the foregoing matters. Such director concurs with the determination and recommendation of the Board.

Conditions of Closing

The closing of the Enhanced Business Transactions (the “Closing”) is subject to a number of important conditions including:

(a) Net Shepherd having completed an equity financing with Vanenburg to raise aggregate gross proceeds of $16.5 million (US $11 million) at a price per share of $3 (US $2);

(b) Net Shepherd having entered into the Development Agreement with Vanenburg;

(c) Net Shepherd having entered into the Cross-Licensing Agreement with Vanenburg;

(d) shareholders of Net Shepherd, other than Vanenburg, having approved the Enhanced Business Transactions by ordinary resolution at the Meeting pursuant to OSC Policy 9.1;

(e) shareholders of Net Shepherd having elected a board of directors consisting of Messrs. Jan Baan, Donald S. Sandford, Owen C. Pinnell, James H. Coleman, A. Anthony McLellan and John E. Trewhitt;

(f) completion of satisfactory due diligence by Net Shepherd and ClickChoice; and

(g) Net Shepherd having received all required regulatory approvals.

Shareholder Approval

Under OSC Policy 9.1, the Enhanced Business Transactions qualify as “related party transactions”. Accordingly, the Enhanced Business Transactions must be approved by a majority of the votes cast at the Meeting by the holders of shares voting on it other than votes cast by Vanenburg.

Stock Exchange Approval

The Enhanced Business Transactions are subject to the approval of the Canadian Venture Exchange. The Executive Committee of the Canadian Venture Exchange has been presented with a recommendation by the staff of such exchange to provide conditional approval to the Enhanced Business Transactions, subject to a number of conditions including the approval of the majority of shareholders of Net Shepherd at the Meeting.

6. Reliance on Section 118(2) of the *Securities Act* (Alberta) or Section 75(3) of the *Securities Act* (Ontario):

   Not applicable.

7. Omitted Information: None.

8. Senior Officers:

   Richard R.A. Charron, Chief Financial Officer
   Telephone: (403) 218-8921

9. Statement Of Senior Officer:

   The foregoing accurately discloses the material change referred to in this report.

DATED at Calgary, Alberta this 21st day of February, 2000

NET SHEPHERD INC.

Per: (signed)
Richard R.A. Charron
Chief Financial Officer

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