

LABEL DEPOT CORPORATION

609 Hanlan Road
(Steels & Highway 400)
Woodbridge, Ontario L4L 4R8

April 14, 2000

VIA SEDAR

ALBERTA SECURITIES COMMISSION
19th Floor, 10025 Jasper Avenue
Edmonton, Alberta
T5K 3Z5

CANADIAN VENTURE EXCHANGE
10th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

ONTARIO SECURITIES COMMISSION
Suite 800, Box 55
20 Queen Street West
Toronto, Ontario, M5H 3S8

Dear Sirs:

Re: LABEL DEPOT CORPORATION
MATERIAL CHANGE REPORT

This letter is intended as a statement setting forth certain matters that may be a material change in the affairs of Label Depot Corporation (the "Corporation"). For convenience, this letter is itemized in the same manner as Form 27 of the *Securities Act* (Alberta) and Form 27 of the *Securities Act* (Ontario). Concurrent with this filing, this letter is being filed with the Canadian Venture Exchange, being the only exchange on which the Corporation's shares are listed.

Item 1 - Reporting Issuer

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Item 2 - Date of Material Change

The material change occurred on or about March 3, 2000 and March 13, 2000.

Item 3 - Publication of Material Change

Press releases concerning the material change were issued on March 3, 2000 and April 14, 2000.

Item 4 - Summary of Material Change

1. Label Depot Corporation (the "Corporation") has entered into a share purchase agreement for the sale of all of the issued and outstanding shares (the "MLHI Shares") of its wholly-owned subsidiary, Markham Label Holdings Inc. ("MLHI"). The MLHI Shares represent substantially all of the assets of the Corporation. The purchaser of the MLHI Shares is Labot Enterprises Inc., a company which is controlled by certain officers and directors of the Corporation. The transaction is subject to various conditions, including approval by a majority of the minority shareholders of the Corporation. Shareholders will be given a right of dissent which will entitle them to dissent from the transaction and be paid fair market value for their MLHI Shares.

2. In conjunction with the sale of the MLHI Shares, certain directors and officers of the Corporation, and related parties to such persons, will collectively cancel, without consideration, 4,201,137 common shares of the Corporation, reducing the outstanding share capital from 10,738,776 to 6,537,639 common shares.
3. In conjunction with the sale of the MLHI Shares, certain directors and officers of the Corporation, and related parties to such persons, will collectively transfer up to 2,138,862 common shares of the Corporation to Standard Mercantile Bancorp Inc., Vero Capital Corporation and Cibo Capital Corporation.
4. The Corporation intends to adjourn its shareholder meeting from April 17, 2000 to May 5, 2000 in order that shareholders will have sufficient time to receive and review an addendum to the information circular of the Corporation dated March 14, 2000. The addendum is attached to this material change report as Schedule A.
5. At the shareholder meeting the shareholders of the Corporation will be asked to consider, among other matters, the reconstitution of the board directors from 8 to 3 members and to appoint three nominees to the board.

Item 5 - Full Description of Material Change

1. Sale of Shares of Markham Label Holdings Inc.

The Corporation has entered into a share purchase agreement (the "Agreement") dated March 13, 2000 for the sale (the "MLHI Sale") to Labot Enterprises Inc. ("Labot") of all of the issued and outstanding shares of its wholly-owned subsidiary, Markham Label Holdings Inc. The MLHI Shares comprise substantially all of the assets of the Corporation. In consideration for the MLHI Shares, Labot will issue to the Corporation an income promissory note (the "Income Note") in the aggregate amount of \$1,000,000 (Canadian). Under the terms of Income Note, Labot shall pay to the Corporation up to \$1,000,000 in principal plus any interest owing. Payments by Labot under the Income Note will be on an annual basis and will be equal to 25% of Labot's pre-tax earnings, excluding certain extraordinary losses, within 120 days from the fiscal year end of Labot for each of its next 5 fiscal years. In event the entire \$1,000,000 is not owing under the Income Note within the five years, the Income Note will terminate and no further amounts will be owing by Labot to the Corporation under the Note.

The proposed MLHI Sale is a non-arm's length transaction in that each of William Wright, Robert Walmsley and Eric Bittenbinder, all directors, officers and shareholders of the Corporation, are, or will be, directors, officers and, directly or indirectly, principal shareholders of Labot. In addition, Peter Martini, a director of the Corporation, is or will be a director of Labot. (Messrs. Wright, Walmsley, Bittenbinder and Martini are referred to herein as the "Interested Parties"). As directors, officers and/or shareholders of Labot, the Interested Parties may derive a benefit from the MLHI Sale should any one or more of them receive salary, bonuses or other compensation greater than that currently being received from the Corporation, MLHI or Markham Products, or should any one or more of their equity interests in Labot be of greater value than the value of their current equity interest in the Corporation.

The decision by the Corporation to enter into the Agreement was based on an extensive review by the board of directors of the Corporation in respect the Corporation's business and operations, carried out through Markham Label Products Inc. ("Markham Products"), a wholly-owned subsidiary of MLHI. This review was prompted by poor financial performance of Markham Products and the continuing inability to meet growth objectives. In order to conduct an independent and impartial review of the Corporation's operations, the board of directors struck an independent committee (the "Committee") consisting of three independent directors: Ronald Schmeichel, Scott Dick and Richard McLaren. The Committee examined the operations of MLHI and assessed the Corporation's options and provided its analysis and assessment to the board of directors.

In its review, the board of directors noted that several problems are affecting the operations of Markham Products. The Corporation has found it extremely difficult to secure additional financing in the capital markets necessary to facilitate its acquisition growth strategy and bolster operating cash flow. This problem has been experienced by several Canadian micro-cap companies operating

in traditional non-technology industries. The Corporation's inability to secure additional financing has been compounded by its operating losses and performance, which are well below management's expectations. The poor performance is directly attributed to extraordinary costs associated with occupancy matters, financing charges and lower than expected results in its non-core business forms division which was acquired by the Corporation in February 1999. While the board of directors believes there is potential for operations of Markham Products to turn around over time, it does not foresee any immediate progression and believes that losses will likely continue. For this and several other business and capital market reasons, the board of directors has determined that it would be in the best interest of the Corporation and its shareholders to divest itself of its current business with a view to aggressively seeking out and securing acquisitions in other market-driven, high growth areas. To this end, the board of directors has resolved to privatize the operations of Markham Products through the sale of all the issued and outstanding shares of MLHI.

Koger Valuations Inc. of Markham, Ontario ("Koger") has prepared for the directors of the Corporation a valuation report dated March 8, 2000 entitled "Indication of Fair Market Value - Markham Label Holdings Inc." (the "Valuation Report"). Koger has valued the MLHI Shares at between \$500,000 and \$650,000. In preparing the Valuation Report, Koger valued the shares of Markham Products using the asset based approach.

The valuation and indication of fair market value of the shares of MLHI was based on the following qualifications and assumptions:

- a) all information supplied by the Corporation being true and correct;
- b) the Corporation having full legal ownership of MLHI, and Markham Products through a 100% ownership of MLHI;
- c) management of the Corporation having informed Koger of all significant factors, contracts or agreements in effect at the valuation date that would have an impact as to the conclusions arrived at in the Valuation Report;
- d) at the valuation date there being no other contracts or agreements being negotiated, other than those already disclosed in the Valuation Report, that would have a material effect on the future cash flows that could be generated by Markham Products;
- e) the Corporation nor any of its subsidiaries having any material contingent liabilities other than in the ordinary course of business or litigation pending or threatened which may have an impact on the values presented in the Valuation Report;
- f) all required licenses, consents, other legislative or administrative authorization from any government or private entity having been obtained, and being in force at the valuation date and remaining in force;
- g) there being sufficient liability insurance protecting the Corporation and the operations of all its subsidiaries;
- h) the Canadian federal and provincial income tax laws prevailing at the valuation date continuing to prevail in the foreseeable future;
- i) there being no material change in the financial condition of the Corporation between January 31, 2000, (the date of the last available interim financial statements) and March 8, 2000 (the valuation date);
- j) there being no environmental issued which would have a material effect on the future operating results of Markham Products;
- k) no jurisdiction having passed any additional legislation that could restrict or regulate he business of Markham Products;
and
- l) there being no significant factors bearing on the fair market value of MLHI which Koger did consider in reaching its conclusion as to the indicated value.

The Corporation also has a prior valuation (the "Prior Valuation") dated May 11, 1998, prepared by Corporate Valuation Services Limited. The Prior Valuation was prepared in connection with the acquisition by the Corporation of the outstanding shares of 1100664 Ontario Limited ("1100664"), a predecessor company to MLHI. Copies of the Prior Valuation may be obtained from the Corporation, upon payment of expenses for printing and delivery, by contacting Robert Walmsley at (905) 264-6654.

The board of directors of the Corporation has given careful analysis to the performance and current financial position of MLHI in assessing the merits of the MLHI Sale. Specifically, the board of directors has given consideration to MLHI's future prospects for success given its current financial position. MLHI must raise significant capital to finance its cash flow and working capital

deficiencies in order to sustain existing operations. The board of directors believes that there is limited ability for the Corporation to raise such capital at this time. The board of directors further believes that no other competing offers for the purchase of the assets of MLHI is or likely will be forthcoming. Having considered all of these factors, the board of directors has approved the MLHI Sale, subject to certain conditions including approval by the shareholders of the Corporation.

The MLHI Sale is subject to various conditions, including approval by a majority of the minority shareholders of the Corporation. Shareholders will be given a right of dissent which will entitle them to dissent from the transaction and be paid fair market value for their shares.

2. Cancellation of Shares

In conjunction with the sale of the MLHI Shares, William Wright, Eric Bittenbinder and Robert Walmsley have agreed to cancel or cause to be cancelled by them, without consideration, their respective spouses and the Walmsley Family Trust, 4,201,137 common shares of the Corporation, reducing the share capital from 10,738,776 to 6,537,639 common shares. All such shares are held in escrow.

3. Transfer of Shares and Change of Control

In conjunction with the sale of the MLHI Shares, William Wright, Eric Bittenbinder and Robert Walmsley have agreed to sell or cause to be sold by them, their respective spouses and the Walmsley Family Trust, in aggregate up to 2,138,862 common shares of the Corporation, on a pro rata basis, to Standard Mercantile Bancorp Inc., Vero Capital Corporation and Cibo Capital Corporation (the "Share Transfer"). This will result in a change of control in that Robert Walmsley, on his own behalf and as trustee for the Walmsley Family Trust, will no longer hold a controlling interest in the Corporation. Each of the purchasers under the Share Transfer will hold, after giving effect to the share cancellation noted above, 10.9% of the issued and outstanding shares of the Corporation should the Share Transfer be completed in its entirety. Vero Capital Corporation and Cibo Capital Corporation do not operate at arm's length to the Corporation in that Peter Martini is a director of the Corporation and is also a director, officer and shareholder of Vero Capital Corporation and an officer of Cibo Capital Corporation.

4. Shareholder Meeting and Addendum to Management Information Circular

The Corporation has scheduled a meeting (the "Meeting") of shareholders for April 17, 2000 to consider the MLHI Sale and the Share Transfer. The Corporation has prepared and delivered to shareholders a management information circular dated March 14, 2000 for the purposes of the Meeting. The Corporation has subsequently prepared an addendum to the management information circular which contains additional information for consideration by the shareholders. In order that the shareholders have sufficient time to receive and consider the addendum prior to the Meeting, the Corporation intends to adjourn the meeting to May 5, 2000.

5. Appointment of Directors

At the meeting, shareholders will also be asked to reconstitute the board of directors from 8 to 3 members, and appoint Ronald Schmeichel, Scott Dick and Richard McLaren as directors. Messrs. William Wright, Eric Bittenbinder, Robert Walmsley, Peter Martini and John Corcoran, directors of the Corporation, will not be seeking re-election.

Item 6 - Reliance of Section 118(2) of the Securities Act (Alberta) or Section 75(3) of the Securities Act (Ontario)

N/A

Schedule "A"

LABEL DEPOT CORPORATION

ADDENDUM

**TO MANAGEMENT INFORMATION CIRCULAR
DATED MARCH 14, 2000**

This is an addendum to the Management Information Circular (the "Management Information Circular") dated March 14, 2000 of Label Depot Corporation. Defined terms herein have the same meaning as in the Management Information Circular.

I. Changes to Management Information Circular

The following revisions and additions are incorporated into the Management Information Circular.

Under the heading:

"Particular of Matters to be Acted Upon at the Meeting - Sale of all of the Assets of the Corporation"

1. Following the third paragraph under the sub-heading "**General**", the following two paragraphs are added:

"To assist it in assessing the operations of Markham Products and determining what courses of action are available to the Corporation, the board of directors struck an independent and impartial committee of directors (the "Committee") consisting of Ronald Schmeichel, Scott Dick and Richard Maclaren. The Committee analyzed Markham Products from both a financial and operational perspective. The Committee also investigated strategies for the Corporation given the problems associated with Markham Products. It was the Committee's findings that based on a lack of available financing and the uncertainty surrounding the future operations and success of MLHI and Markham Products, that MLHI be sold. The Committee reported its findings to the board of directors for consideration.

The Committee was responsible for negotiating the terms of the Share Purchase Agreement, including the Income Note, on behalf of the Corporation. In assessing the fairness of the consideration to be paid by Labot for the MLHI Shares, the Committee, and subsequently the board of directors, considered the value ascribed to the MLHI Shares under the Valuation Report prepared for the purposes of such assessment. They also considered the conclusions reached in the Valuation Report regarding the lack of goodwill and "going concern" value attributable to Markham Products (see the information under the sub-heading "Valuation" below). In addition, the fact that in conjunction with the MLHI Sale, 4,201,137 Common Shares held by related party shareholders are to be cancelled was also considered. Based on these factors, as well as other considerations described in the Management Information Circular, the terms of the MLHI Sale were determined to be fair and reasonable."

2. The fourth paragraph under the sub-heading "**General**" is revised by adding the following sentence at the end of the paragraph:

As directors, officers and/or shareholders of Labot, each of these persons may derive a benefit from the MLHI Sale should any one or more of them receive salary, bonuses or other compensation greater than that currently being received from the Corporation, MLHI or Markham Products, or should any one or more of their equity interests in Labot be of greater value than the value of their current equity interest in the Corporation.”

3. The first paragraph under the sub-heading **“Valuation”** is revised by adding the following two sentences at the end of the paragraph:

“The value arrived at by Koger in the Valuation Report does not necessarily correspond to the value that would be paid to shareholders who elect to exercise their dissent and appraisal rights as described below under the sub-heading “Rights of Dissenting Shareholders”. The Valuation Report was prepared at the request of the board of directors of the Corporation for their review and consideration, notwithstanding that a formal valuation is not required for any regulatory purposes, including the rules, regulations and policies of the Ontario Securities Commission.”

4. The second paragraph under the sub-heading **“Valuation”** is revised by adding the following sentences at the end of the paragraph:

“This approach was chosen having regard to: i) the consolidated shareholders’ equity of the Corporation; ii) the lack of goodwill as at the Valuation Date; iii) the probability that a purchaser would have to refinance MLHI and inject additional equity into the company based on MLHI’s lack of working capital; iv) the high quality of the assets; and v) the significant cost and time associated with developing market share in the label printing industry. For the purposes of the Valuation Report, “value” means the highest price available in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of money or money’s worth.

5. The following two paragraphs are added at the end of the section under the sub-heading **“Valuation”**:

“Koger was retained by the Corporation on or about February 28, 2000 and was retained for cash payment of \$5,000 (plus GST). Koger was selected based on the qualifications and credentials of Thomas A Koger, the individual responsible for the Valuation Report. Thomas Koger has a Business of Commerce degree and holds Chartered Accountant (Ontario) and Chartered Business Valuator designations. Mr. Koger has several years’ experience in valuation assignments in insurance claims, business acquisitions/divestitures, initial public offerings, appraisal and oppression remedies, among many others fields. He has experience in several industries including software and other advanced technologies, real estate, pulp and paper, steel, trucking, food, restaurants and many other manufacturing and service industries.

Copies of the Valuation Report will be available, upon payment of printing and delivery costs, to any shareholder requesting same by contacting Robert Walmsley at the offices of the Corporation by telephone at (905) 479-8690. The Corporation.”

6. The following sub-heading and text are added following the section entitled **“Valuation”**:

“Prior Valuation

On October 2, 1998, the Corporation obtained a valuation report (the “Prior Valuation”) dated May 11, 1998 and prepared by Corporate Valuation Services Limited (“CVSL”). The Prior Valuation relates to all of the outstanding shares of 1100664 Ontario Limited (“1100664”), a predecessor company to MLHI. The Prior Valuation places a value of \$3,900,000 on the shares of 1100664, using an earnings approach based on then projected earnings of 1100664. Since

the date of the Prior Valuation, the operations and financial condition of MLHI have markedly deteriorated, as have industry conditions and those of the financial markets for small cap industrial companies. Based on these internal and external changes, the Corporation does not view the Prior Valuation as having any material relevance to the MLHI Sale. Copies of the Prior Valuation may be obtained from the Corporation, upon payment of expenses for printing and delivery, by contacting Robert Walmsley at (905) 264-6654.”

7. The third paragraph under the sub-heading “**Shareholder Approval**” is deleted and replaced with the following:

“The special resolution in respect of the approval of the MLHI Sale must be approved by the “minority shareholders”. Minority shareholders are all shareholders of the Corporation other than the Corporation, any interested party (where an “interested party” is any related party of the Corporation who is also a party to the MLHI Sale), any related party of an interested party, or any affiliate or person acting jointly or in concert with any of the foregoing. The text of the special resolution in respect of the MLHI Sale to be presented at the Meeting is as set out in Appendix “B” hereto, with or without modification.”

II. Proxies and Revocation of Proxies

Shareholders who have already completed and provided instruments of proxy, either in paper form or by telephone, who wish to revoke such proxies in light of the information provided in this Addendum should refer to “Appointment and Revocation of Proxies” and “Advice to Beneficial Shareholders” in the Management Information Circular. For further information, shareholders may contact Michael Rempel at Armstrong Perkins Hudson, solicitors for the Corporation, at (tel.) 403-237-4723 or (fax) 403-262-7896.

DATED: April 13, 2000

CERTIFICATE OF LABEL DEPOT CORPORATION

The foregoing addendum, when combined with the Management Information Circular, contains no untrue statement of material fact, does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the security holders.

“signed”

Robert Walmsley
Chief Executive Officer and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“signed”

Donald Schmeichel
Director

“signed”

Scott Dick
Director