MATERIAL CHANGE REPORT
FORM 27
***SECURITIES ACT* (NOVA SCOTIA) AND (ONTARIO)**

Material Change Report under Section 81(2) of the *Securities Act* (Nova Scotia) and Section 75(3) of the *Securities Act* (Ontario)

1. Reporting Issuer:

   Knowledge House Inc.
   5670 Spring Garden Road, Suite 200
   Halifax, NS B3J 1H6

2. Date of Material Change:

   December 22, 2000

3. Press Release:

   The Press Release describing the material change referred to herein was released on December 22, 2000 and filed by Knowledge House Inc. on SEDAR.

4. Summary of Material Change:

   Knowledge House Inc. ("KHI") has acquired all of the outstanding limited partnership units of the Knowledge House Limited Partnership ("KHLP") in exchange for the issue of 646,875 common shares from treasury to the current holders of the limited partnership units.

5. Full description of the Material Change:

   On December 22, 2000, KHI announced that it would acquire all of the outstanding limited partnership units of KHLP on December 28, 2000, in exchange for the issue of 646,875 common shares from treasury to the current holders of the limited partnership units. The exchange was made effective on December 28, 2000.

   KHLP was established in 1998 to conduct research and to seek out and arrange business opportunities in the e-learning market. Knowledge House Education Partnerships Inc. is a wholly-owned subsidiary of KHI and is the general partner of KHLP. Income and losses of KHLP are allocated 100% to the limited partners up to the amount of the limited partners' investment in KHLP. Thereafter 20% of the income and 100% of the losses are allocated to Knowledge House Education Partnerships Inc. as general partner. KHI has an option to acquire the limited partnership units from the limited partners, payable by issuing a sufficient number of common shares of KHI to constitute 120% of the limited partnership unit price until December 31, 2000, 130% in 2001, 140% in 2002 and 150% in 2003. The option expires on December 31, 2003. The purchase is being made in accordance with the terms of the call option such that KHI will acquire all limited partnership units in exchange for the issue of common shares valued at 120 per cent of the limited partnership unit subscription price. The acquisition will be accounted for using the pooling of interests method.

KHI's decision to acquire ownership of KHLP signals the company's readiness to provide its customers with a full spectrum of e-learning programs and solutions that combine its collaborative, problem-based learning (CPBL) methodology with rigorous, multi-disciplinary academic content that fully leverages the Internet and related technologies.

Since its inception in 1998, KHLP researched, defined and initiated a suite of transformational new technology-enabled learning programs and systems for personal and professional development. The KEY Certification™ Program and the advanced studies program, hosted on the company's SmarterTeams™ e-learning platform, are among the products ready for market.

The KEY Certification™ Program, conceived in partnership with The Conference Board of Canada, addresses the critical skills gap associated with employability and technology skills in the knowledge economy. Targeted to secondary and post-secondary students, as well as individuals entering, or already in the workforce, the program will be rolled out during the first quarter of 2001.

KHI’s advanced studies program is an innovative advanced curriculum for Grade 11 and 12 students that meets the outcomes for high school graduation and provides students with the opportunity to qualify for undergraduate university credits and advanced standing. The two-year program, comprised of eight, fully-integrated modules, built around highly engaging learning challenges, distinguishes itself from other advanced studies programs such as the Advanced Placement Program™ or the International Baccalaureate™ by virtue of its multidisciplinary, collaborative, problem-based learning curriculum that leverages the Internet and related technologies. The advanced studies program is currently scheduled to be available for delivery commencing September 2001.

SmarterTeams™, believed to be the world's first and only e-learning platform for collaborative, problem-based learning, represents a breakthrough in the marriage of technology and learning design to enhance learning outcomes. Best described as a "learning environment", SmarterTeams™ enables a highly personalized learning experience for each learner and team of learners as they work through challenging, multidisciplinary problems, designed to achieve rigorous academic outcomes.

KHI is an e-learning and education services company. It prepares individuals and organizations for success in the knowledge economy by enabling the transformation of learning through collaborative, problem-based learning, the Internet and related technologies.

The Company's transformational learning programs and services are designed for secondary, post-secondary, transition to work and corporate markets.

6. Reliance on Section 81(3) of the *Securities Act* (Nova Scotia) and Section 75(3) of the *Securities Act* (Ontario):

N/A

7. Omitted Information:

N/A

8. Senior Officers:

For more information contact:

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9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Halifax, Nova Scotia this 28th day of December, 2000.

KNOWLEDGE HOUSE INC.

Per: [signed] "Gerard McInnis"
Gerard McInnis
Senior Vice-President, Finance
and Accounting and CFO

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