FORM 27

MATERIAL CHANGE REPORT

1. Reporting Issuer:

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

2. Date of Material Change:

October 25, 2001

3. Press Releases:

The press release describing the material change referred to herein were released on October 26, 2001 and filed on SEDAR.

4. Summary of Material Change:

Knowledge House Inc. ("KHI") has filed a proposal under the Bankruptcy and Insolvency Act (Canada).

5. Full description of the Material Change:

KHI announced that it has filed a proposal to creditors under the *Bankruptcy and Insolvency Act* (Canada) through its trustee, Ernst & Young Inc. Under the terms of the proposal, preferred creditors of KHI under the *Bankruptcy and Insolvency Act* (Canada), including employees, will receive Class A preferred shares of KHI in exchange for their claims, on a dollar for dollar basis. Other unsecured creditors of KHI will receive Class B preferred shares of KHI in exchange for their claims, on a dollar for dollar basis.

The Class A and Class B preferred shares are each 4% cumulative preferred shares, redeemable at the option of KHI and convertible at the option of the holder into common shares of KHI, after two years in the case of the Class A preferred shares and after four years in the case of the Class B preferred shares. Class A preferred shares have priority over the Class B preferred shares. Claims of secured creditors are unaffected by the proposal.

By using two classes of preferred shares the intent of the proposal is that the preferred claims of the employees will be given the highest priority and scheduled for payment at the earliest possible date. KHI management believes that, while it will be challenging to rebuild the operations, the amount to be converted to preferred shares, at approximately $2,000,000, is not too onerous since KHI has valuable educational programs and technologies upon which to rebuild its business as a result of the extensive $10 million research and development program it conducted over the last three years. KHI has currently closed its office and laid off all employees. KHI also requires additional financing if the proposal is accepted and approved.

The proposal will be provided to creditors of KHI to be voted on at a creditors' meeting to be held on a date set by the Official Receiver, and will remain subject to shareholder and regulatory approvals. The proposal was further to the notice of intention to make a proposal announced by KHI on September 25, 2001. Silicon Island Art and Innovation Centre Limited, a subsidiary of KHI, will not be filing a proposal.

KHI designs collaborative problem-based learning programs and provides related services for secondary and post-secondary education, transition to work in corporate markets.

6. Reliance on Section 75 (3) of the Securities Act (Ontario), Section 81(3) of the Securities Act (Nova Scotia) and equivalent provisions in other jurisdictions:

N/A

7. Omitted Information:

N/A

8. Senior Officer:

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 5th day of November, 2001.

KNOWLEDGE HOUSE INC.

Per: [signed] "Dan Potter"
Dan Potter
Chair & CEO

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