FORM 27

MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

   Knowledge House Inc.
   c/o 830 Young Ave
   Halifax, NS B3H 2V7

2. **Date of Material Change:**

   May 22, 2002

3. **Press Releases:**

   The press release describing the material changes referred to herein was released via Canada Newswire on May 22, 2002.

4. **Summary of Material Change:**

Knowledge House Inc. (TSX:KHI) has obtained from the Nova Scotia Securities Commission a management cease trade order pursuant to Section 134 of the *Securities Act* (Nova Scotia) and Canadian Securities Administrators ("CSA") Staff Notice 57-301 with respect to the securities of KHI.

5. **Full description of the Material Change:**

KHI is in default of filing its annual Audited Financial Statements for the period ended December 31, 2001 which were to have been filed on or before May 21, 2002 pursuant to relevant securities laws because of a requirement to change auditors.

Mr. Daniel F. Potter, Chairman of the Board and the Chief Executive Officer of KHI advises that KHI was unable to meet its deadline due to a change in auditors of KHI, given that the current auditors will be taking shares of KHI pursuant to its proposal to creditors, discussed below. As a result of the delay in the completion and filing of the annual Audited Financial Statements, KHI will also be late in filing its Interim Financial Statements for the first quarter ended March 31, 2002 which are due to be filed on or before May 30, 2002. KHI expects to file the Audited Financial Statements and the Interim Financial Statements on or before July 21, 2002.

KHI has obtained from the Nova Scotia Securities Commission a management cease trade order pursuant to Section 134 of the *Securities Act* (Nova Scotia) and CSA Staff Notice 57-301 with respect to securities of KHI. Such order will place restrictions on the trading of KHI's securities by certain persons who have been directors, officers or insiders of KHI since KHI's most recent financial statements were filed in accordance with prescribed filing requirements.

Should KHI fail to file its financial statements on or before July 21, 2002, the Nova Scotia Securities Commission and other security commissions or regulators may impose an issuer cease trade order that all trading in securities of KHI cease for such period as specified in the order.

KHI intends to issue a Default Status Report on a bi-weekly basis for as long as it remains subject to the management cease trade order or in default of prescribed filing requirements. An issuer cease trade order may be imposed sooner if KHI fails to file its Default Status Report on time.

As noted in previous material change reports and press releases issued by KHI, on November 26, 2001, KHI's unsecured creditors approved its proposal filed on October 26, 2001, under the *Bankruptcy and Insolvency Act* (Canada). The proposal has not yet been approved by the Supreme Court of Nova Scotia and remains subject to court, shareholder and other required regulatory approvals. KHI will file material change reports containing the same information it provides to creditors at the same time the information is provided to creditors throughout the period it remains in default.

Before its cessation of operation, KHI designed collaborative problem-based learning programs and provided related services for secondary and post-secondary education, transition to work and 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:

Dan Potter

President & CEO
c/o 830 Young Ave
Halifax, NS B3H 2V7
Phone: 902-452-1533
E-mail: potter_dan@hotmail.com
Fax: 902-425-5526

9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Halifax, Nova Scotia this 22nd day of May, 2002.

KNOWLEDGE HOUSE INC.

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

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