THE PROSPECTUS GROUP INC.
30 Chamberlain Avenue, Suite 200
Ottawa, Ontario, K1S 1V9

ALBERTA SECURITIES COMMISSION
4th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Executive Director

BRITISH COLUMBIA SECURITIES COMMISSION
P.O. Box 10142 Pacific Centre
701 West Georgia Street
Vancouver, B.C.
V7Y 1L2

Attention: Executive Director

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

Attention: Executive Director

TSX VENTURE EXCHANGE
P.O. Box 450
3rd Floor, 130 King Street West
Toronto, Ontario
M5X 1J2

Dear Sirs:

Re: THE PROSPECTUS GROUP INC.
Material Change Report - Form 51-102F3

This letter is intended as a statement setting forth certain matters that may be a material change in the affairs of The Prospectus Group Inc. (the "Corporation" or “Prospectus”). For convenience, this letter is itemized in the same manner as Form 51-102F3 of National Instrument 51-102. Concurrent with this filing, this letter is being filed with the TSX Venture Exchange, being the only Exchange on which the Corporation's shares are currently listed.

Item 1 - Name and Address of Company

THE PROSPECTUS GROUP INC.
30 Chamberlain Avenue, Suite 200
Ottawa, Ontario, K1S 1V9
Telephone: (613) 232-1588
Facsimile: (613) 232-1658

Item 2 - Date of Material Change

The material changes occurred effective July 13, 2004 and July 18, 2004.

Item 3 - News Release

The news release was issued on July 19, 2004 and disseminated through CCN Matthews.

Item 4 - Summary of Material Change

Prospectus and IP Co. Limited ("IP") have agreed to amend the terms of the reverse takeover to form a combined company named Route1 Inc. Prospectus has also substantially completed negotiations with regards to its proposed financing. An annual general and special shareholders' meeting will be held on August 26, 2004.

Item 5 - Full Description of Material Change

Further to its press releases dated April 8, 2004 and June 23, 2004, Prospectus has provided an update on the status of its proposed reverse take-over by IP (the "RTO").

Due to changing market conditions and negotiations between the parties, Prospectus and IP have agreed, effective July 13, 2004, to amend the term sheet dated April 8, 2004 which describes the conditions and terms of the RTO. Specifically, Prospectus and IP have agreed that pursuant to the RTO, shareholders of IP (excluding Prospectus) will receive in aggregate, 60,000,000 common shares of Prospectus at a deemed price of $0.35 per share to ensure that the relative ratio of ownership in the resulting issuer remains substantially the same. Prior to the completion of the financing described below, shareholders IP will own, on a fully diluted basis, approximately 52.68% of the resulting issuer and shareholders of Prospectus will own, on a fully diluted basis, approximately 47.3% of the resulting issuer. The parties had previously agreed to issue to shareholders of IP (excluding Prospectus) an aggregate of 54,068,100 common shares of Prospectus.

Prospectus and IP have also substantially concluded pricing and structuring negotiations with First Associates Investments Inc. ("First Associates") as agent regarding the financing originally described in the April 8, 2004 press release as being a minimum of $10 million and a maximum of $15 million in gross proceeds. As a result of these negotiations, Prospectus announces that pursuant to the financing, it will raise a minimum of $8 million and a maximum of $10 million in gross proceeds, amending the amounts announced on June 23, 2004. Any amount raised above the minimum of $8 million is subject to the prior approval of IP and Prospectus.

In addition, Prospectus will offer units ("Units") pursuant to the financing. Each Unit will consist of one subscription receipt (a "Subscription Receipt") and one-half of a warrant, which securities will separate immediately on issue. Each Subscription Receipt will entitle the holder to one common share, without the payment of additional consideration, on the date of satisfaction or waiver of various escrow release conditions (such conditions to include the completion of the RTO). The gross proceeds attributable to the Subscription Receipts will be placed into escrow with an arm's length third party. Each whole warrant (a "Warrant") is exercisable into one common share of Prospectus for 18 months following the date of escrow release on the Subscription Receipts at a price of $0.50 per share for the first 12 months and a price of $0.60 per share thereafter. The Warrants will be subject to repurchase rights in the event that the RTO is not completed within a specified period, and also in certain circumstances following completion of the RTO. The price per Unit has been fixed at $0.35 based on the closing price of Prospectus common shares on July 7, 2004 less applicable discounts, resulting in the issuance of a minimum of 22,857,143 units and a maximum of 28,571,429 Units.

First Associates, along with Paradigm Capital Inc. and Haywood Securities Inc., will continue as agents on the financing. Prospectus has agreed to pay in aggregate, a commission of 7% of the gross proceeds of the financing and broker warrants equal to 10% of the Subscription Receipts issued pursuant to the financing. Each broker warrant will be exercisable into a common share of Prospectus for a period of 24 months from the date of closing of the financing. First Associates will remain as sponsor to the Transaction in accordance with the requirements of the Exchange.

The parties have agreed to amend the date of the Prospectus annual general and special meeting of shareholders in order to give effect to the changes listed above. The shareholders' meeting will be held on Thursday, August 26, 2004. The record date of July 13, 2004, as well as the location of the meeting in Toronto, Ontario, remain unchanged.

Completion of the RTO and the financing described above is subject to a number of conditions, including but not limited to, obtaining the requisite approval from the relevant securities commissions and the TSX Venture Exchange, sponsorship requirements and obtaining the requisite shareholder approvals. There can be no assurance that the transactions will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the RTO, any information released or received with respect to this RTO may not be accurate and complete and should not be relied upon.

Item 6 - Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 - Omitted Information

Not applicable.

Item 8 - Executive Officer

The name of a Executive Officer of the Corporation who is knowledgeable about the material change and who can be contacted by the Commission is:

Marvin V. Bedward, President and Chief Executive Officer
Telephone: (613) 232-1588
Fax: (613) 232-1658

Item 9 - Date of Report

This report is dated this 19th day of July, 2004.