

**IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, C. 418 as amended (“the Act”)**

-AND-

**IN THE MATTER OF
Bruce Elliott Clarke (“ the Respondent”)**

**STATEMENT OF ALLEGATIONS
OF
STAFF OF THE NOVA SCOTIA SECURITIES COMMISSION**

Staff of the Nova Scotia Securities Commission (“Staff”) make the following allegations:

1. The Respondent is an individual resident of Halifax, Nova Scotia.
2. Registration was granted by the Director of Securities to the Respondent as a Trading Officer pursuant to section 32 of the Act to act on behalf of Levesque Securities Inc. on the 27th. day of January 1999.
3. Registration was granted by the Director of Securities to the Respondent as a Trading Officer pursuant to section 32 of the Act to act on behalf of National Bank Financial Ltd. (“N.B.F.L.”) on the 10th. day of March 2000; which registration was renewed in accordance with the Act on the 24th. day of January 2001.
4. A Uniform Termination Notice (“U.T.N.”) was submitted on the 22nd day of October 2001 by N.B.F.L. dismissing the Respondent for “ Failure to carry out his responsibilities (sic) in terms of client credit management with respect to transactions and loans, particularly on Knowledge House.”.
5. Registration was granted by the Director of Securities to the Respondent as a Trading Officer pursuant to section 32 of the Act to act on behalf of Union Securities Ltd. on the 13th. day of June 2002 which registration was renewed in accordance with the Act on the 5th. day of March 2003.
6. The Respondent was between the 1st. day of December 1999 and the 31st. day of August 2001 (“relevant time”) trading in securities within Nova Scotia and was an approved person of the Nova Scotia District Council of the Investment Dealers Association of Canada (“ I.D.A.”), a self regulating organization recognized by the Nova Scotia Securities Commission (“ the Commission”).

7. At all relevant times Knowledge House Inc. (“K.H.I” or “ Knowledge House”) was a reporting issuer in Nova Scotia and its shares were traded publicly on the Toronto Stock Exchange (“ the Exchange”).
8. Commencing in 1999 a number of K.H.I. insiders and their associates and relatives held accounts at N.B.F.L. and at other dealers. Clarke was the investment advisor for most of these accounts at N.B.F.L. Clarke also operated an account at N.B.F.L. in the name of 2317540 Nova Scotia Limited ("540"), a corporation owned and controlled by him.
9. Commencing in late 1999 certain K.H.I. insiders and persons in a special relationship to K.H.I. (the "Insider Group") entered into an arrangement to act jointly to maintain the price of K.H.I. shares (the "Arrangement"), and to carry out transactions in the market to this effect and to provide liquidity for the stock. Clarke agreed to assist the Insider Group in carrying this Arrangement into effect. The Arrangement was never disclosed to the public, contrary to the provisions of the *Act*.
10. In the period March, 2000 to July, 2001 Clarke made a large number of purchases of K.H.I. shares on margin through 540. Those purchases were made under the overall direction and control of the Insider Group, who held a beneficial interest in the account. The purpose of the trades was to maintain the price of K.H.I. within a certain range; to create the effect of a liquid market for the shares and in consequence to collaterally affect the values upon which margin could be based in the accounts of shareholders.
11. Clarke's purchases of K.H.I. shares, through 540, were funded by transfers of freely trading K.H.I. shares and cash from the Insider Group. None of the members of the Insider Group filed any reports with respect to the transfer of K.H.I. shares into the 540 account, as required by section 116 of the *Act*. None of the members of the Insider Group filed any reports under section 113 of the *Act* with respect to the transactions taking place within the 540 account. Clarke did not file any reports of beneficial ownership by members of the Insider Group in the 540 account, as required by section 117 of the *Act*.
11. In addition to the transactions made through the 540 account, during the relevant time period Clarke entered a large number of purchases and bids for the Insider Group, the purpose of which was to facilitate the Arrangement.
12. Clarke violated the Exchange’s rules and by-laws of the I.D.A. by entering purchases and bids; or causing to be entered purchases and bids that caused the price and bid of KHI to close on an uptick in furtherance of the Arrangement.
13. Such additional allegations as staff may submit and the Commission permit.

DATED this 7 th. day of June 2004.

“R. Scott Peacock”

R. Scott Peacock
Deputy Director Compliance and Enforcement
Nova Scotia Securities Commission