

IN THE MATTER OF THE SECURITIES ACT

R.S.N.S. 1989, C. 418 as amended ("the Act")

-AND-

IN THE MATTER OF KNOWLEDGE HOUSE INC. ("K.H.I.")

-AND-

IN THE MATTER OF

R. Blois Colpitts ("Colpitts")

SETTLEMENT AGREEMENT

I INTRODUCTION:

1. By Notice of Hearing dated the March 21, 2006 (the "Notice of Hearing"), the Nova Scotia Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to section 134 and 135A of the Act, in the opinion of the Commission, it is in the public interest for the Commission to make an order approving this Settlement Agreement and giving effect to its terms and conditions.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceedings initiated in respect of Colpitts by the Notice of Hearing in accordance with the terms and conditions set out below. Colpitts agrees to the settlement on the basis of the facts agreed to as hereinafter provided and Colpitts consents to the making of an Order; in the form attached as Schedule "A"; on the basis of the facts set out below.
3. The parties to this agreement acknowledge and agree that the facts and conclusions set out in Part III of this Settlement Agreement herein are for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to Colpitts or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any

proceeding brought by Staff of the Commission under the Act (subject to paragraph 13) or any civil or other proceeding which may be brought by any other person or agency. No other person or agency may raise or rely upon the terms of this Settlement Agreement or any agreement to the facts stated herein whether or not this Settlement Agreement is approved by the Commission.

III SETTLEMENT OF FACTS AND CONCLUSIONS

Acknowledgment

4. Staff and Colpitts agree with the facts and conclusions set out in Part III of the Settlement Agreement. Staff acknowledge that Colpitts has voluntarily and fully cooperated with its investigation of the matters at issue in this matter subject to his duties of privilege and confidentiality.

Introduction

5. Colpitts was between the 1st day of December 1999 and the 31st day of August 2001(the "relevant time") a barrister and solicitor and a member of the Nova Scotia Barristers Society practicing law within Nova Scotia and was the lead director of K.H.I. Colpitts also served as chairman of K.H.I.'s audit committee.

Facts

6. Colpitts did during the relevant period attend meetings, was party to discussions, received correspondence and communications among insiders and persons in special relationship with K.H.I. that should have put him on notice in his role as lead director of K.H.I to the extent that as lead director he was obligated to make more in depth inquiries beyond those he made into whether the conduct and actions of certain of the insiders group and those in special relationship to K.H.I. contravened the provisions of the Act or were contrary to the public interest.

7. Colpitts failed in his role as lead director of K.H.I. to uncover conduct by certain of the insiders group and persons in special relationship with K.H.I. which contravened the provisions of the Act or was contrary to the public interest. The conduct so identified by Staff and others included an arrangement amongst certain insiders, to which it is acknowledged that Colpitts was not a party, to carry out transactions in the market for K.H.I. shares that were, in Staff's view, contrary to the public interest.

Conduct Contrary to the Public Interest

8. In summary, during material times Colpitts engaged in conduct contrary to the public interest by failing in his role as lead director of K.H.I. in the manner identified herein.

IV POSITION OF THE RESPONDENT

9. The Respondent admits the facts set forth in Part III herein and acknowledges, with the benefit of hindsight, that his conduct was contrary to the public interest and joins Commission Staff in making this Settlement Agreement.
10. The Respondent did not engage in the alleged improper trading and was not a party to the alleged improper trading activities of the insiders group and those in a special relationship with K.H.I.
11. The Respondent was personally an investor in K.H.I. The Respondent complied with all requirements under the Act, including filing all required insider trading reports, in connection with his trading in shares of K.H.I. The Respondent lost substantially all of his investment in K.H.I. upon the demise of the company in September, 2001.

V TERMS OF SETTLEMENT

12. The terms of settlement are set forth in the order contained in Schedule "A" to this settlement agreement which is expressly incorporated herein.

VI COMMITMENTS

13. If this Settlement Agreement is approved by the Commission, Staff will not bring any further proceedings under the Act or initiate any complaint to the Commission or request the Commission to hold a hearing or issue any other order in respect of any conduct or alleged conduct of Colpitts in relation to any of the facts set out in Part III of this Settlement Agreement or in relation to any of the allegations set out in the Notice of Hearing and/or the Statement of Allegations or in relation to any other matter arising out of, relating to or in any manner connected with Colpitts' role as a director of, shareholder of or solicitor for K.H.I.
14. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Colpitts in this matter and Colpitts agrees to waive any right to a full hearing and appeal of this matter under the Act.
15. If this Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.
16. If, for any reason whatsoever, this settlement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:
 - a. Each of Staff and Colpitts will be entitled to proceed to a hearing unaffected by the Settlement Agreement or the settlement negotiations;
 - b. the terms of the Settlement Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and Colpitts or as may otherwise be required by law; and
 - c. Colpitts agrees that he will not raise in any proceeding the Settlement Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.
17. If, prior to the approval of this Settlement Agreement by the Commission, there are new facts or issues of substantial concern, in the view of Staff, regarding the facts set out in Part III of this Settlement Agreement, Staff will be at liberty to withdraw from this Settlement Agreement. Notice of such intention will be provided to the Respondent in writing. In the event of such notice being given,

the provisions of paragraph 16 in this part will apply as if this Settlement Agreement had not been approved in accordance with the procedures set out herein.

VIII DISCLOSURE OF SETTLEMENT AGREEMENT

18. Staff or Colpitts may refer to any part or all of this Settlement Agreement in the course of the hearing convened to consider this agreement. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all the parties to the Settlement Agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

IX EXECUTION OF SETTLEMENT AGREEMENT


19. This Settlement Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

Dated this 21st day of March, 2006.

Signed in the presence of:


(Witness)

per:

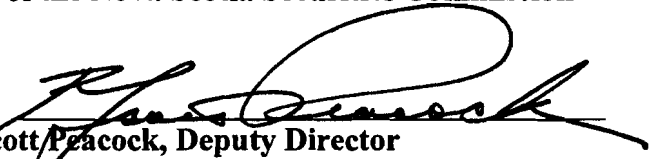


R. Blois Colpitts

Dated this 21st day of March, 2006.

Staff of the Nova Scotia Securities Commission

Per:


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

SCHEDULE "A"

**IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED (the "Act")**

**IN THE MATTER OF
R. Blois Colpitts ("Colpitts")**

**ORDER
(SECTIONS 134 and 135A)**

WHEREAS on March 21, 2006, the Nova Scotia Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 134 and 135A of the Act in respect to Colpitts;

AND WHEREAS Colpitts entered into a settlement agreement with Staff of the Commission ("Staff") whereby he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS Staff recommended approval of the settlement agreement;

AND WHEREAS Colpitts is no longer a director or officer of any reporting issuer;

AND UPON reviewing the settlement agreement and the Notice of Hearing, and upon hearing submissions of counsel for Staff and counsel for Colpitts;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT pursuant to sections 134 and 135A of the Act:

1. the settlement agreement dated March 21, 2006, a copy of which is attached, is approved;
2. Colpitts shall make a voluntary settlement payment to the Minister of Finance in the amount of Twenty-Five Thousand Dollars \$25,000.00;
3. pursuant to section 134(1)(d)(ii) of the Act, Colpitts shall be prohibited from being, becoming or acting as an officer or a director of any reporting issuer as defined in the Act for a period of two (2) years from the date of this Order; and
4. pursuant to section 135A of the Act, Colpitts shall pay costs in connection with the joint investigation and conduct of the proceedings in the amount of Twenty-five Thousand Dollars \$25,000.00.

DATED at Halifax, Nova Scotia, this day of March, 2006.

NOVA SCOTIA SECURITIES COMMISSION

(Chairman)