

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, C. 418 as amended ("Act")

-AND-

IN THE MATTER OF
DANIEL F. POTTER, KENNETH G. MACLEOD, RAYMOND G. COURTNEY, AND
CALVIN W. WADDEN (collectively the "Respondents")

STATEMENT OF ALLEGATIONS
OF STAFF OF THE NOVA SCOTIA SECURITIES COMMISSION

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

Introduction

1. The Respondents individually are Daniel F. Potter ("Potter"), Kenneth G. MacLeod ("MacLeod"), Raymond G. Courtney ("Courtney"), and Calvin W. Wadden ("Wadden").
2. Potter, Courtney, and Wadden, are residents of Halifax, Nova Scotia. MacLeod is a resident of Sydney, Nova Scotia.
3. From December 1999 to August 2001 ("Relevant Period") Knowledge House Inc. ("KHI") was a reporting issuer in Nova Scotia and its shares were traded publicly on the Toronto Stock Exchange ("Exchange").
4. During the Relevant Period, the Respondents, a number of KHI insiders and their associates and relatives held investment accounts at National Bank Financial Limited ("NBFL"). Bruce Elliot Clarke ("Clarke") was the investment advisor for most of these accounts at NBFL.
5. Clarke operated an account at NBFL in the name of 2317540 Nova Scotia Limited ("540 Account") during the Relevant Period. 2317540 Nova Scotia Limited was a corporation owned and controlled by Clarke.
6. During the Relevant Period, the Respondents violated sections 44A(2), 82(1), 113(2) and 116 of the Act and acted contrary to the public interest.

Section 82(1) – Trading Where Undisclosed

7. The Respondents entered into an arrangement with each other to act individually and collectively to manipulate the price of KHI shares on the Exchange, to carry out transactions in the market to this effect and to provide liquidity for KHI shares

("Price Manipulation Scheme"). The Price Manipulation Scheme was not generally disclosed to the public.

8. During the Relevant Period, Clarke purchased a number of KHI shares on margin through the 540 Account on behalf of the Respondents. Those purchases were made under the overall direction and control of the Respondents for the purpose of manipulating the price of KHI shares within a certain range, thereby creating the effect of a liquid market for the shares and in consequence collaterally affecting the values upon which margin could be based in the accounts of shareholders.
9. During the Relevant Period, the Respondents, either individually or collectively, for the purpose of effecting the Price Manipulation Scheme:
 - a. communicated with each other by various means;
 - b. loaned KHI shares to the 540 Account;
 - c. provided funds to the 540 Account;
 - d. executed, or caused to be executed, trades through the 540 Account and other trading accounts to buy or sell KHI shares for the purpose of manipulating the publicly traded price of KHI shares;
 - e. entered or caused to be entered bids on KHI shares that caused the price and bid of the shares to close on an uptick; and
 - f. undertook to ensure that investors did not sell KHI shares contrary to the wishes of the Respondents.

Section 113 (2) – Report of Insider

10. The Respondents, being insiders as defined by the Act, failed to file reports disclosing changes in their direct ownership, control or direction over securities of KHI during the Relevant Period.

Section 116 – Report of Transfer by Insider

11. The Respondents, being insiders as defined by the Act, transferred or caused to be transferred securities of KHI into the name of an agent, nominee or custodian without having delivered to the Director of the Commission a report of such transfer in accordance with the regulations.

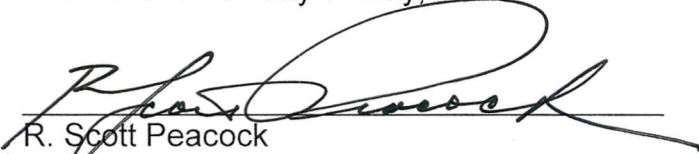
Section 44A(2) – Unfair Practice

12. The Respondents put unreasonable pressure on persons to purchase, hold or sell securities of KHI, and as such engaged in unfair practice as defined by the Act.

Acting Contrary to the Public Interest

13. The foregoing acts facilitated the Price Manipulation Scheme for the publicly traded shares of KHI, and as such the Respondents acted in a manner that was contrary to the public interest.
14. The Respondents conduct was contrary to the public interest in that it was detrimental to the integrity and efficiency of capital markets, inconsistent with adequate levels of investor protection and did not foster the process of capital formation.
15. Such additional allegations as staff may submit and the Commission permit.

DATED this 18th day of May, 2006.



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