

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

- AND -

**IN THE MATTER OF
Steven 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. INTRODUCTION

1. The Respondent is a Nova Scotia resident who, at all relevant times, was an employee of National Bank Financial Limited ("NBFL"). The Respondent commenced his employment with NBFL in 1999 as a salaried, administrative employee under the principal tutelage and direction of Bruce Elliott Clarke ("Bruce Clarke").
2. The Respondent first became a registrant under the provisions of the Act in July 2000, and was thereafter a registrant under the provisions of the Act at all relevant times.
3. At all relevant times Knowledge House Inc. ("KHI") was a reporting issuer in Nova Scotia and was traded publicly on the Toronto Stock Exchange (the "Exchange").
4. The trading in KHI which is the subject matter of this Statement of Allegations took place on the Exchange between November 2000 and August 2001. During this period the Respondent was subject to the rules and policies of the Exchange in relation to such trading. He was also a registrant with the Nova Scotia District Council of the Investment Dealers Association of Canada ("IDA"), a self-regulatory organization recognized by the Nova Scotia Securities Commission, and was subject to IDA by-laws, regulations and policies.

Facts

5. Commencing in 1999 a number of KHI insiders, their associates and relatives held accounts at NBFL as well as at other dealers. Bruce Clarke was the primary investment advisor for most of these accounts at NBFL.

6. Commencing in late 1999, prior to the time that the Respondent first became a registrant under the provisions of the Act, certain KHI insiders and persons in a special relationship to KHI (the "Insider Group") entered into an arrangement to act jointly to maintain the price of KHI stock (the "Arrangement"), and to carry out transactions in the market to this effect and to provide liquidity for the stock. Bruce Clarke agreed to assist the Insider Group in putting the Arrangement into effect. The Arrangement was never disclosed to the public, contrary to the provisions of the Act.
7. During the period November 2000 to August 2001, at the direction and on the advice of Bruce Clarke, the Respondent entered purchases and bids of KHI for the Insider Group, the purpose of which was to facilitate the Arrangement. Despite being unaware of the Arrangement at the time such trades were entered and unaware that such transactions were being effected for the purpose of maintaining the price of KHI within a certain range and creating the effect of a liquid market for the shares, the Respondent violated the Exchange's rules by entering the purchases and bids (which caused the price and bid of KHI to close on an uptick in furtherance of the Arrangement).

Conduct Contrary to the Public Interest

8. During the material time period the Respondent's actions violated Nova Scotia securities law and were contrary to the public interest. The Respondent's conduct was detrimental to the integrity and efficiency of the capital markets in Nova Scotia and was prejudicial to the interests of other investors who were not privy to the terms of the Arrangement. In addition, the Respondent failed to comply with the By-laws, Rules, Regulations and Policies of the IDA and the Rules and Regulations of the TSX during the relevant time period.

Dated this 7th day of October 2005.

" R. Scott Peacock"

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