

N E W B R U N S W I C K S E C U R I T I E S C O M M I S S I O N



2008 | 2009  
ANNUAL REPORT

NEW BRUNSWICK  
SECURITIES COMMISSION

COMMISSION DES  
VALEURS MOBILIÈRES  
DU NOUVEAU-BRUNSWICK



*dynamic and confident capital markets for New Brunswick*

## ANNUAL REPORT 2008-2009

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30 JUNE 2009

NEW BRUNSWICK  
SECURITIES COMMISSION

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# TRANSMITTAL LETTER

30 JUNE 2009

The Honourable Michael Murphy, Q.C.  
Minister of Justice and Consumer Affairs  
Province of New Brunswick

Dear Minister Murphy,

I am pleased to submit the New Brunswick Securities Commission's Annual Report - our fifth - to the Legislative Assembly of New Brunswick for the fiscal year 1 April 2008 to 31 March 2009. This annual report outlines the Commission's vision, mandate, values and our report on performance in meeting our strategic priorities. It also provides our financial statements and pertinent statistics.

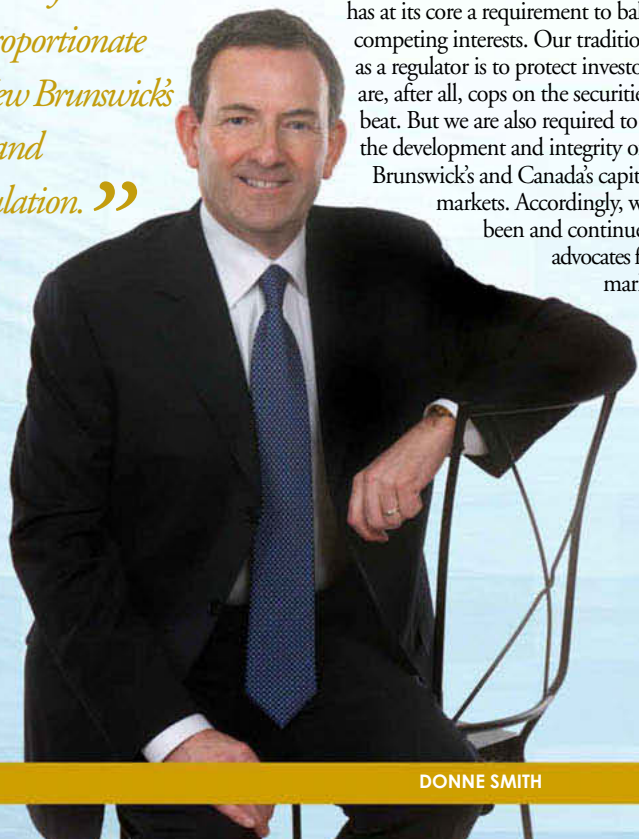
Respectfully submitted,

*“original signed by”*

Donne W. Smith  
Chair and Chief Executive Officer

## MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

“We have created at the Commission an internationally recognized regulatory agency whose positive influence and credibility is disproportionate to New Brunswick’s size and population.”



DONNE SMITH

**ON BEHALF OF** the Members and staff of the New Brunswick Securities Commission, I am pleased to present the Commission’s Annual Report for the fiscal year 2008-2009.

1 July 2009 marks the fifth anniversary of the establishment of the Commission. We have created at the Commission an internationally recognized regulatory agency whose positive influence and credibility is disproportionate to New Brunswick’s size and population. That we are viewed nationally and internationally as an effective and uncompromising regulator is mainly due to the unique vision of our Members and staff.

The *Securities Act* sets out our mandate which has at its core a requirement to balance competing interests. Our traditional role as a regulator is to protect investors – we are, after all, cops on the securities fraud beat. But we are also required to foster the development and integrity of New Brunswick’s and Canada’s capital markets. Accordingly, we have been and continue to be advocates for those markets.

However, our success as a regulator will be judged equally on both fronts.

During our first three years, we laboured aggressively to create a strong foundation for success by attracting to the Commission professional staff whose expertise and dedication are second to none. In the last two years as we have hit our stride, we have more visibly demonstrated through both actions and results the importance and value to the province’s economic future of a New Brunswick-based securities regulator. This annual report describes once again this value.

Our primary regulatory focus is New Brunswick’s capital markets and its retail investors. Over the past five years the Commission refined its objectives to emphasize and strengthen this vision. Through dialogue with our stakeholders we learned a great deal about what we need to accomplish and how to go about it. We understand our limitations as a regulator in a small market within a small province, but we are also nimble enough to recognize and embrace global partnerships and opportunities.

I am particularly proud of our *Fullsail*<sup>™</sup> capital markets initiative, our strong and aggressive enforcement team, and the way that our Members and staff have grasped the necessity of pursuing a unique communications strategy in order to support the work of the Commission.

There is still, however, much work to be done. While we have demonstrated a real commitment to the education of investors and entrepreneurs, we will not achieve self-sufficiency without the systemic adoption of programs in our educational institutions that promote financial literacy and entrepreneurship. Likewise, our goals to achieve financial independence through capital markets growth requires much greater dedication to entrepreneur education as well as public policy commitment to supporting our entrepreneurs.

During the past five years we have clearly shown that success is possible if we and our stakeholders remain committed and visionary.

We are living in interesting times! We are currently experiencing a global financial upheaval unknown to many of us in living memory. Fortunately, the New Brunswick Securities Commission and its regulatory partners in Canada’s national system of regulation operate within a flexible, responsive regulatory regime.

This report demonstrates the strengths of our national system. I believe Canada will be successful in meeting the current economic challenges because of those very strengths. And arguably, Canada has fared much better than our neighbours to the south because of this system.

It is vital to stress that our public interest mandate cannot be achieved unless New Brunswickers control our securities regulatory processes. Without an active presence New Brunswick is in danger of losing a fundamental tool needed to achieve self-sufficiency.

This annual report outlines successes over the last year. It also helps us celebrate five years of demonstrated commitment to the regulatory principles set out in the *Securities Act*. I wish to express my personal thanks to those of you who created, built and impassioned the New Brunswick Securities Commission – and to all New Brunswickers who support us. It has been a true honour and privilege to lead the Commission during these past exciting and rewarding five years.

*“original signed by”*

Donne W. Smith  
Chair and Chief Executive Officer



## OUR STRATEGIC DIRECTION

### OUR VISION

Dynamic and confident capital markets for New Brunswick.

### OUR MANDATE

Provide protection to investors from unfair, improper or fraudulent practices; and

Foster fair, efficient capital markets and confidence in capital markets.

### OUR VALUES

**EXCELLENCE** - as a regulatory leader in New Brunswick, we adhere to best practices and high standards;

**SERVICE** - we provide proactive, efficient, timely and responsive services to our stakeholders;

**INTEGRITY** - we are fair, ethical, transparent and accountable for all our actions; and

**COMMITMENT TO OUR PEOPLE** - to ensure excellence, we invest in our staff by encouraging innovation and developing expertise, leadership and effective teamwork.

## OUR STRATEGIC PRIORITIES

### INVESTOR PROTECTION

To protect capital markets integrity through active compliance and vigorous enforcement measures.

### CAPITAL MARKETS GROWTH

To create economic wealth and independence for New Brunswick through capital markets development.

### EDUCATION

To be a reputable source for investor and capital markets education and information.

### CORPORATE EXCELLENCE

To ensure we have the infrastructure in place to excel as a Crown corporation and quasi-judicial tribunal.

## MESSAGE FROM THE EXECUTIVE DIRECTOR

“Our core purpose is investor protection, capital markets development and education. We strive to be the best at what we do.”



Our work over this past year, our fifth year of operation, has focused on implementing initiatives that impact the province and its citizens as investors and entrepreneurs. Our core purpose is investor protection, capital markets development and education. We strive to be the best at what we do.

We have seen increased risk to New Brunswick investors from foreign-based fraudsters who believe that they operate outside of our reach. Our response has been to aggressively assert our jurisdiction through our enforcement actions. We had a number of cases over the past year that required inter-jurisdictional cooperation and information sharing among regulators around the globe. Our relationships with other regulators provide the vehicle for this mutual cooperation and communication.

However, our regulatory power alone is not enough. Education is one of the best ways to protect against the threat of fraud. Our public awareness efforts continue to inform and educate New Brunswick residents of this threat. We put an increased emphasis on our *Invest in Knowing More™* campaign, the ABC's of Fraud®

program and our Fraud Prevention Month initiatives. We also expanded our other education initiatives such as Learning the Ropes, the Financial Fitness Challenge and Investor Education Month to increase stakeholder awareness of the capital markets and investing in general.

We are determined to stimulate the development of the province's capital markets. Entrepreneurial opportunities in New Brunswick are constrained by a lack of supporting infrastructure and access to capital. Our capital markets development plan has taken a broad approach to implementing solutions to address these issues. Our *Fullsail™* Summit 2008 was built on *Fullsail* Summit 2007 efforts and we continue to engage with interested stakeholders implementing a wide variety of recommendations.

We work cooperatively with other securities regulators, both nationally and internationally. We are attuned to global developments in securities and financial services industry and to technological advances. We developed strong linkages with key organizations over the past five years and are able to leverage these relationships to help meet our strategic and operational priorities. Our active involvement in provincial, national and international associations ensures that we are aware of issues, trends and initiatives as they develop.

We are diligent in scanning the landscape for matters of importance to New Brunswick investors and citizens, such as enforcement, fraud mitigation and a desire to more fully develop our capital markets. Our operational and regulatory flexibility, financial sustainability, strategic partnerships and commitment to the people of New Brunswick all contribute to our ability to meet our mandate.

We are mindful that we do not have the size or ability to be “all things to all people”. Instead, we consciously target areas of strength where we can show leadership and have

impact. Our progress, as described in the Report on Performance section, gives an overview of those areas of strength.

I would like to acknowledge the hard work and dedication of our staff. The knowledge and expertise that they bring to bear on the initiatives we undertake are instrumental to our success. These individuals are identified on our organizational chart.

The 30th of June 2009 marks the end of Donne Smith's five-year term as our Chair and Chief Executive Officer. Donne has been actively involved in securities regulation in New Brunswick since 1987 and was instrumental in the drive to overhaul the province's antiquated regulatory framework for securities, which dated back to 1935. As our first Chair, he led the start-up and rapid growth of the organization ensuring it could effectively fulfill its role of protecting investors and fostering New Brunswick's fledgling capital markets.

Under Donne's stewardship, we demonstrated our role and relevance as a regulatory partner in Canada's national system of securities regulation. This has shown that New Brunswick's public interest and pursuit of self-sufficiency are best served by having control over its securities regulatory process.

On behalf of staff, I would like to thank Donne for his drive and vision for making the New Brunswick Securities Commission what it is today and for setting a strong foundation for our future.

*“original signed by”*

Kenrick G. Hancox  
Executive Director



# REPORT ON PERFORMANCE – INVESTOR PROTECTION PRIORITY

To protect capital markets integrity through active compliance and vigorous enforcement measures.

**OVERVIEW** The Commission's objective is to protect New Brunswick's investors and capital markets from those who pose a threat to the integrity of the capital markets. We have a visible compliance regime, rigorous registration requirements and we conduct registration and compliance reviews regularly. Investigations, enforcement actions and education play a key role in our investor protection efforts.

We pursued a number of compliance and enforcement actions this year resulting in sanctions against individuals and corporate entities. These sanctions included orders ceasing the trading of securities (also known as cease-trade orders), financial penalties and costs. In May 2008, the Commission was given additional authority to issue disgorgement orders to assist victims recover money lost as a result of violations of securities laws. In November 2008, the Commission issued its first disgorgement order to a New Brunswick resident and firm for \$160,000.

During the 2008-09 fiscal year, the Commission held 15 hearings resulting in four cease-trade orders involving nine parties, and five temporary cease-trade orders involving 19 parties, as well as five settlement agreements. The Commission ordered \$683,000 in penalties and \$64,033 in costs. Penalties are paid into a separate Market Enhancement Reserve. The *Securities Act* mandates that these funds be used for initiatives that enhance New Brunswick's capital markets. The Executive Director also issued a cease-trade order and a management cease-trade order for the failure to file financial statements.

New Brunswick residents continue to be exposed to investment fraud, through the telephone and internet, mostly originating from outside of the province. Our *Invest in Knowing More* awareness campaign is directed toward educating investors about this kind of fraud. A key objective of this campaign is to communicate the seriousness of investment fraud in New Brunswick. For a more complete discussion of the *Invest in Knowing More* campaign see our Report on Performance – Education section.

## REGISTRATION

Registration is a key component in securities regulation. The registration process involves assessing the character, financial stability and education of the person seeking registration to determine whether they should be allowed to deal or advise in securities. Determining the suitability of those seeking registration is one of the ways we protect investors from unfair, improper or fraudulent practices. In 2008-09, there were 23 new dealer and adviser firms registered and 3280 individual applications for registration. 1809 registered individuals resided in New Brunswick at year end.

	2006-2007	2007-2008	2008-2009
Number of individuals	7012	7349	7555
Number of firms	261	282	283

## COMPLIANCE REVIEWS

Registrants must conduct themselves in an ethical and business-like manner, placing the interests of the investor first. The *Securities Act* and rules set out the framework for registrants' conduct. Consequently, another fundamental element of securities regulation is ensuring compliance with these rules.

Using a dual approach, a combination of risk-based and a rotational schedule, helps us determine the appropriate registrants to review each year. For those selected, we review their internal operations and structures. Our reviews may identify important compliance deficiencies such as non-compliant trading practices and lack of supervision of registrants. Compliance reviews are carried out on registrants' head office and selected branch office locations in New Brunswick on a rotational basis. Annual reviews were

also conducted on the audited financial statements and bonding/insurance information filed by our New Brunswick-based registrants.

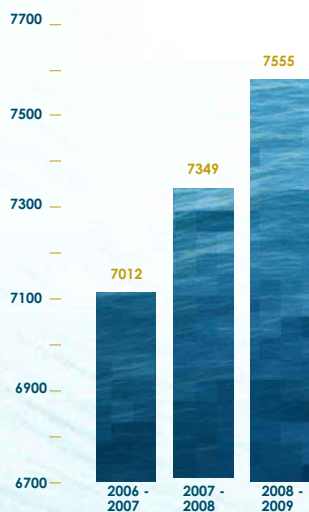
Conducting issue-specific reviews is also part of our compliance regime. We completed two issue-specific reviews on Mutual Fund Dealers Association of Canada (MFDA) member firms to determine compliance in specific areas of their operations. Additionally, three follow up reviews were completed on registered dealers operating under an exemption to verify compliance with the terms and conditions imposed.

In addition to internal actions, we rely on self-regulatory organizations (SROs) to assist in protecting investors. SROs are non-government organizations charged with regulating various sectors of the securities industry. In June 2008, we recognized the Investment Industry Regulatory Organization of Canada (IIROC). IIROC

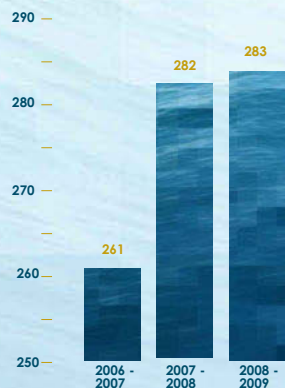


## REPORT ON PERFORMANCE – INVESTOR PROTECTION PRIORITY

Number of individuals registered in New Brunswick [trading or advising]



Number of firms registered in New Brunswick



is the new SRO formed by the merger of the Investment Dealers' Association and Market Regulation Services Inc.

We continue to work closely with SROs in conducting joint reviews. We participated in two joint compliance reviews this fiscal year with the MFDA. Of particular note was Legacy Associates Inc. (Legacy), a New Brunswick-based mutual fund dealer. As a result of a series of compliance reviews conducted by staff and the lack of compliance with the terms and conditions imposed, Legacy was referred to the enforcement division. A panel of the Commission approved a settlement agreement which subjected Legacy to a number of additional conditions to ensure compliance.

For the first time, the Commission participated in an MFDA oversight review with other Canadian Securities Administrator jurisdictions that recognize the MFDA as an SRO. This review of the policies and procedures pertaining to compliance, enforcement, and the MFDA internal financial regime was conducted in January 2009. Two joint reviews of Investment Counsel Portfolio Managers were conducted with other jurisdictions in Canada as well.

We have a continuous disclosure review program for New Brunswick-based reporting issuers. The program is designed to assess their continuous disclosure documents, such as financial statements, management discussion and analysis and annual information forms, to ensure they comply with Canadian generally accepted accounting principles and the *Securities Act*. In 2008-09, we conducted three continuous disclosure reviews, which resulted in a request that an issuer make certain changes or enhancements in its next filing as a result of deficiencies identified. As a result of failing to file financial statements, a cease-trade

order was issued against a New Brunswick reporting issuer. A cease-trade order was also issued against management of this issuer.

### ENFORCEMENT ACTIONS

We have extensive powers to investigate alleged breaches of the *Securities Act* and to issue administrative orders to protect the public and enforce compliance with regulatory requirements.

We have the authority to impose cease-trade orders, freeze bank accounts, remove or prohibit individuals from acting as officers and directors of companies, order disgorgement, and seek administrative penalties and costs, among others.

Enforcement proceedings are adjudicated by a panel of Members of the Commission. The following respondents were the subject of hearings during 2008-09.

#### BERRIE WHITE CAPITAL CORPORATION ET AL.

In August 2008, Matthew White (White), an officer, shareholder and Chief Compliance Officer of Berrie White Capital Corporation (BWCC), wrote to two New Brunswick registered mutual fund dealers and proposed an arrangement to have an unregistered individual sell exempt securities and to pay that person illegal commissions. He subsequently failed to disclose this correspondence to a Commission investigator. In January 2009, the Commission approved a settlement agreement with BWCC and White. The settlement agreement required White to pay an administrative penalty of \$8,000 and costs of \$1,000. It also denied BWCC and White exemptions under New Brunswick securities law for periods of two and four years respectively.

#### FIRST ALLIANCE MANAGEMENT INC. ET AL.

New Brunswick residents were solicited by First Alliance Management Inc. (First Alliance) by telephone, email and the internet to buy gold options. Investors were asked to transfer funds to Panama. First Alliance appeared to be related to another company, which was cease-traded by the Saskatchewan Financial Services Commission in February 2008. The Commission issued a permanent cease-trade order against First Alliance in November 2008.

#### FIRST GLOBAL VENTURES S.A. ET AL.

First Global Ventures (FGV) was a Panama-based entity operating through two Ontario-based individuals, Al Grossman and Al Shuman. FGV appeared to be targeting the investors of another company which was previously cease-traded in New Brunswick. The Commission issued penalties totaling \$225,000 and costs in the amount of \$23,033 against the respondents in this matter after a number of hearings held in 2007 and 2008.

#### GOLDPOINT RESOURCES CORPORATION ET AL.

Goldpoint Resources Corporation (Goldpoint) allegedly solicited New Brunswick residents to invest in a purported gold mine in West Africa. Goldpoint is alleged to have used a website largely copied from another entity. They were not registered and have not filed any documentation with the Commission. A temporary cease-trade order was issued against Goldpoint in May 2008 and extended in June 2008. The temporary order remains in place pending a final determination in this matter.



## REPORT ON PERFORMANCE – INVESTOR PROTECTION PRIORITY

### ROBERT LANE

Robert Lane (Lane) was the president of Wealth Pools Inc. of Orlando, Fla. and the mastermind of a pyramid-type investment scheme, which affected over 70,000 people in more than 60 countries. The activity in New Brunswick started when a New Brunswick resident responded to an email promoting the scheme. It quickly spread as a result of its promise of large, lifelong returns. At least 109 New Brunswick residents invested in excess of \$440,000 in Wealth Pools Inc. In August 2008, the Commission issued a \$160,000 administrative penalty against Lane and permanently banned him from trading in New Brunswick.

### LEGACY ASSOCIATES INC.

Legacy Associates Inc. (Legacy), a New Brunswick mutual fund dealer, was subject to several compliance reviews which identified numerous areas of regulatory non-compliance. In a settlement agreement approved by the Commission in November 2008, Legacy agreed to certain terms and conditions aimed at ensuring regulatory compliance. Legacy agreed to pay an administrative penalty of \$15,000 and costs of \$5,000.

### LOCATE TECHNOLOGIES INC., TUBTRON CONTROLS CORP., 706166 ALBERTA LTD. AND LORNE DREVER

Over \$1 million of Locate Technologies Inc. (Locate) and Tubtron Controls Corp. (Tubtron) shares were sold to New Brunswick residents between 2004 and 2006 in direct contravention of an order of the Court of Queen's Bench issued in 2004. Investors were asked to make their cheques for shares payable to a company other than Locate or Tubtron and the funds were not transferred to purchase shares. Many investors did not receive share certificates for their investments.

A settlement agreement with these respondents, approved by the Commission in August 2008, provided an opportunity for investors to have their money refunded if they chose to do so. As a result, these four Alberta-based respondents were permanently banned from New Brunswick's capital markets and ordered to pay a total of \$225,000 in administrative penalties and costs.

### HARRY NILES AND BRADLEY CORPORATE SERVICES LTD.

New Brunswick respondents, Harry Niles (Niles) and Bradley Corporate Services (BCS), promoted investments in Locate and Tubtron. In a settlement agreement approved by the Commission in November 2008, they both admitted to committing serious, repeated violations of the *Securities Act* and an order of the Court of Queens Bench instructing them not to trade in Locate or Tubtron. As a result, Niles and BCS were permanently banned from New Brunswick capital markets and ordered to pay a total of \$60,000 in administrative penalties, \$5,000 in costs and \$160,000 in disgorgement. This agreement resulted in the Commission's first disgorgement order being issued.

### MICHAEL CODY AND DONALD NASON

New Brunswick respondents Michael Cody (Cody) and Donald Nason (Nason) also promoted investments in Locate and Tubtron. Cody and Nason who were temporarily banned from New Brunswick capital markets signed an agreed statement of facts in January 2009 in which they admitted to violations of the *Securities Act* in relation to the Locate and Tubtron investments. A hearing on sanctions regarding the respondents Cody and Nason was pending at the end of the fiscal year 2008-09.

### WAYNE MALLET

In January 2009, the Commission issued a temporary consent order barring Wayne Mallett (Mallett) from relying on certain exemptions under New Brunswick securities law, until otherwise ordered by the Commission. Enforcement staff alleged that, during the course of an investigation, Mallett made misrepresentations to staff. A hearing has not yet been held in this matter as staff are continuing their investigation.

### SANG PARK

During 2007, Sang Park (Park) promoted and sold securities offered by Walton International Inc. to New Brunswick residents. He made an insufficient effort to ensure that those investing in, or considering investing in, the securities he promoted were qualified as accredited investors. On one occasion he forged a signature acknowledging receipt of an offering document. The Commission approved a settlement agreement with Park in August 2008. He agreed to pay \$15,000 in administrative penalties and \$3,000 in costs, and was banned from trading in New Brunswick for 10 years.

### STRATEGIC ENERGY PARTNERS ET AL.

In 2008 and again in early 2009 a New Brunswick resident was solicited by a company called Strategic Energy Partners (SEP). SEP appeared to operate out of Geneva, Switzerland. SEP was not registered with the Commission and had not filed or sought to file a prospectus. The investigation revealed that SEP's website, used as a sales tool, provided little information and appeared to a large extent to be copied from the website of another company. Staff requests for information from SEP were unanswered. The Commission issued a permanent cease-trade order against SEP in February 2009.



“*Reciprocal orders are a means for staff to act quickly when another jurisdiction has already taken action and there is a potential threat to New Brunswick investors.*”

### RECIPROCAL ORDERS

Reciprocal orders are a means for staff to act quickly when another jurisdiction has already taken action and there is a potential threat to New Brunswick investors. In 2008-09, the Commission reciprocated four orders issued previously in other Canadian jurisdictions, involving 19 parties. Five orders issued by the Commission were subsequently reciprocated by other jurisdictions including British Columbia, Alberta and Manitoba.

### AD CAPITAL U.S. INC. AND ADCAPITAL INDUSTRIES INC.

Adcapital Industries Inc., based in Vancouver, British Columbia, and AD Capital U.S. Inc., based in Nevada, solicited individuals by telephone to invest in a technology, which purportedly reduced automobile emissions. The solicitations were done without a prospectus or proper registration. The Commission issued a reciprocal cease-trade order following a similar order issued by the British Columbia Securities Commission in July 2008.

### GLOBAL ENERGY GROUP LTD. ET AL.

New Brunswick residents were solicited by telephone to purchase Kentucky oil-well-drilling securities promoted by Global Energy Group Ltd. (Global), from what appeared to be a boiler room operating out of Ontario. The Commission issued a reciprocal cease-trade order in August 2008 against Global, following a similar order issued by the Ontario Securities Commission.

### GLOBAL PETROLEUM STRATEGIES LLC

Global Petroleum Strategies LLC (Global Petroleum) solicited investors in a purported oil technology business throughout Canada. Global Petroleum was first investigated by the Alberta Securities Commission who alerted staff that there were New Brunswick investors. The Commission issued a reciprocal cease-trade order in August 2008 following a similar order issued in Alberta.

### MALSBURY INVESTMENT CORPORATION ET AL.

Malsbury Investment Corporation (Malsbury) solicited investments for land development in the Fort McMurray area, including investments by New Brunswick residents. Malsbury was never registered to trade in securities and did not file or seek to file a prospectus. In August 2008, the Commission issued a reciprocal order banning this entity from the New Brunswick capital markets after a similar order was issued by the Alberta Securities Commission.

# REPORT ON PERFORMANCE – CAPITAL MARKETS GROWTH PRIORITY

To create economic wealth and independence for New Brunswick through capital markets development.

**OVERVIEW** The overall objective of our capital markets development initiative is to create economic wealth and independence in New Brunswick. We recognize that advancing New Brunswick's economy by continuing to build the infrastructure of our capital markets requires the concerted effort of many stakeholders. We worked in a leadership role with stakeholders to implement action plans to foster this development. Our combined efforts continue to positively impact New Brunswick's business culture.

During this time of uncertainty, initiatives that create easier access to capital, both human and financial, become important success factors for our province's capital markets. This section outlines a selected list of activities that through shared dedication and passion were carried out over the past year.

## FULLSAIL™ CAPITAL MARKETS INITIATIVE

*Fullsail* is the Commission's capital markets development initiative. The work done on this priority is a critical part of our mandate.

A pillar of our work on this initiative continues to be the *Fullsail* Summit; a forum where entrepreneurs, capital markets experts and other important stakeholders can meet to discuss, learn and plan improvements to our province's capital markets.

### Fullsail Summit 2008

The 2008 *Fullsail* Summit, held in April in Saint John, was attended by approximately 120 delegates who, over a period of two days, put forward recommendations to help develop and advance the province's capital markets.

The recommendations were to:

- 1 Motivate institutional investors and large corporations in Atlantic Canada to develop a policy to invest in the region's venture capital markets.
- 2 Use the New Brunswick Small Business Investor Tax Credit (SBITC) to mobilize citizen investment in New Brunswick-based small businesses.
- 3 Create K-12 education programs that create and maintain entrepreneurial spirit.

- 4 Establish a social networking portal to connect entrepreneurs to financing agencies.
- 5 Establish projects that encourage and create greater regional partnerships.
- 6 Improve commercialization out of the universities and corporate environment.
- 7 Effectively connect budding entrepreneurs with mentors through a mentorship program.
- 8 Stimulate sources of venture capital through an enhancement to existing programs (including Labour Sponsored Venture Capital).
- 9 Re-establish a New Brunswick direct air link to a major US hub city.
- 10 Encourage more start-up Information and Communications Technology (ICT) companies to use the existing PropelICT technology accelerator.
- 11 Create an atmosphere among New Brunswick employers that encourages labour force innovation and transformation through continuous education.

Progress on the ideas generated at *Fullsail* 2008 was detailed in a six month report released in October 2008 and an update on the 2007 and 2008 *Fullsail* Summit ideas and recommendations was released in April 2009.

*Fullsail* delegates, stakeholders and others demonstrated a commitment to improving the economic wealth of New Brunswick. Selected *Fullsail* Summit recommendations are detailed below:

### NETWORKING PORTAL FOR ENTREPRENEURS

The web portal [www.mynexia.com](http://www.mynexia.com) was announced at *Fullsail* 2008 and was formally launched at the National Research Council's Innovation Forum in October 2008. The website functions, requested by the entrepreneur community, were activated for all users at the launch. The site has continued to evolve with a "2.0 version" released in early 2009. The site is gaining visibility as it expands to meet entrepreneur and service provider demands. In early 2009, there were six government departments and non-government organizations promoting mynexia. The site had visitors from 17 different countries and allowed New Brunswickers to make new connections to help with their business.





“Our combined efforts continue to positively impact New Brunswick’s business culture.”



### MENTORSHIP PROGRAM

At *Fullsail*2008, the Wallace McCain Institute announced its cohort program and introduced the first 15 participants. This program is designed to provide coaching and mentorship for experienced entrepreneurs. Further, 21inc, a New Brunswick organization established to develop tomorrow’s leaders, is on the threshold of launching its own mentorship program. This program will link young leaders with seasoned leaders and provide training for both on the mentoring process and the benefits of a mentor relationship.

### K-12 EDUCATION PROGRAMS

The Department of Education, in collaboration with Wallace McCain Institute (WMI), is supporting the use of the École Régionale-de-Saint-André model for entrepreneurial education on the Anglophone side of the province’s education system. This model’s goal is to develop a culture of independent learning and awareness of entrepreneurship from an early age. The spirit of entrepreneurship is well integrated by operating a school business which includes all grades and subjects. For example, in art the children design and make advertising

posters; in math they learn about quality control by measuring the size of the finished product; and throughout the business process older students mentor younger students.

### Recommended Changes To New Brunswick’s Tax System

In the spring of 2008, the New Brunswick government released a Green Paper on the province’s tax system. In August 2008, we responded to the call for input with the *Submission Paper to the Select Committee on Tax Review, Response to a Discussion Paper on New Brunswick’s Tax System*. Our response highlighted feedback from capital markets stakeholders. We recommended that government continue to offer and increase the availability of certain tax incentives deemed to help the capital markets. Of note were the Small Business Investor Tax Credit (SBITC) and tax credits surrounding Labour Sponsored Venture Capital (LSVC) funds.

We took a leadership role in cooperating with the Wallace McCain Institute and the New Brunswick Business Council to advise the New Brunswick Department of

Finance to make changes to the SBITC program. Such programs are critical to enable growth of early-stage companies in provinces with limited capital markets access, such as New Brunswick.

Many of our proposed amendments to the SBITC program were incorporated in the March 2009 provincial budget. The changes included an increase in the maximum investment eligible from \$80,000 to \$250,000. It is expected that amendments to allow for a larger number of investors to participate in an investment project will be explained in more detail in the summer of 2009.

It was also announced in the 2009 budget that effective immediately the tax credit rate applied to investments in LSVC funds would be increased from 15% to 20% and that the maximum investment that qualifies for the LSVC tax credit be doubled from \$5,000 to \$10,000. Stimulating sources of venture capital through enhancement to existing programs, including LSVC, was an action-step proposed at the 2008 *Fullsail* Summit.

### Sidecar Financing Report

Following recommendations made during *Fullsail* 2007 and after researching trends and novel approaches to accessing capital, we commissioned a study in the summer of 2008 on the global experience with sidecar or co-investment funds. Co-investment funds invest along side angel networks and provide matching funds in return for an equity stake in a company. Also known as sidecar funds, they are a readily accepted funding mechanism for early stage companies. In Canada, the provinces of Ontario and Alberta have launched their own government sponsored funds.

# REPORT ON PERFORMANCE – CAPITAL MARKETS GROWTH PRIORITY

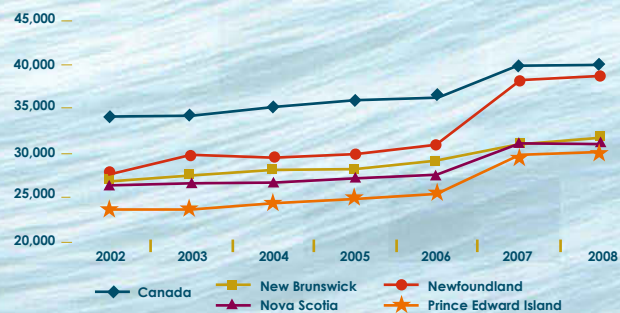
The report identified various sidecar financing models including publicly and privately managed and financed examples. The report was shared with stakeholders with the intent to generate discussion. Staff continue to promote the idea to gain support for the creation of a New Brunswick-based sidecar or co-investment fund.

## MEASURING GROWTH

Growth and progress in New Brunswick's capital markets are demonstrated by measuring various segments of the private equity markets. These metrics are considered indicators for the state of the public equity market.



## Gross Domestic Product Per Capita (GDP)



Source: Statistics Canada

## Overall indicator of capital market growth – Real Gross Domestic Product (GDP) per capita

GDP per capita is measured in real terms and is considered to be a more accurate reflection of the change in overall wealth created from entrepreneurial activities as well as changes in the capital markets. Real GDP per capita measures personal wealth as opposed to state or provincial wealth. An ideal objective would be to move New Brunswick's real GDP to the Canadian average in the next ten years.

Last year, New Brunswick had a slight increase in GDP per capita while the Canadian average remained virtually unchanged. This is attributed to an increase in economic activity. This could also suggest that worker productivity in the province increased over the period.



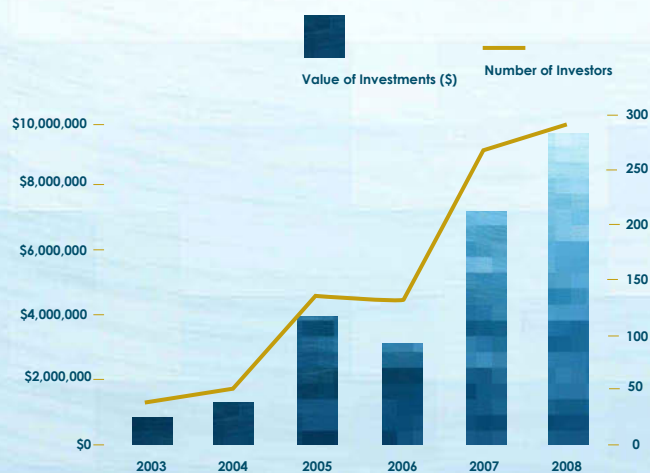
# REPORT ON PERFORMANCE – CAPITAL MARKETS GROWTH PRIORITY

## Early stage private equity investment SMALL BUSINESS INVESTOR TAX CREDIT (SBITC)

The SBITC is a provincial tax credit program. Measuring the value of investment through the SBITC provides information about job creation and potential future investment through venture capital or public equity, or both. This program also allows more New Brunswickers to invest in New Brunswick business generating additional provincial wealth.

Participation in the SBITC increased by 32% compared to last year and the number of investors increased by 8% for a total of 290 investors making use of the tax credit.

### New Brunswick Small Business Investor Tax Credit



Source: New Brunswick Department of Finance

In the spring of 2008 the government of New Brunswick raised the maximum investment limit per investor to gain the maximum tax credit to \$80,000 from \$50,000. The maximum investment limit per investor to gain the maximum tax credit was again raised from \$80,000 to \$250,000 in March 2009.

## ANGEL INVESTMENT

The amount of angel investment and growth of angel investment networks serve as an indicator of future venture capital activity. Angels typically exit their investment when the company receives venture capital investment. Angel investment is an important part of early stage growth because it leverages additional investment for entrepreneurs. These metrics indicate awareness about the supply and demand of angel equity investment.

The First Angel Network (FAN) is the only known regional angel network serving the Maritime provinces. There are currently 33 New Brunswick angels in the network. FAN recorded two deals in 2008 with \$300,000 invested in two New Brunswick companies, down from \$1.1 million invested in two companies last year. Indications are that the decline is caused by the growing uncertainty of the economic environment.

We continue to work with entrepreneurs and various business groups to promote the development of more angel networks to grow New Brunswick companies.

## VENTURE CAPITAL INVESTMENT

Venture capital (VC) investment is a natural successor to angel financing. Early stage VC is needed to help carry entrepreneurs to their next stage of growth and secure the equity needed to commercialize their research and development and to pursue market readiness and entry.

A lack of sufficient return on investment in an uncertain economy may have caused the total VC investment in Canada to decrease by 36%. However, New Brunswick was able to counter this trend and witnessed VC investment increasing from \$16 million to \$26 million this year – up 62%. This jump placed New Brunswick fifth overall in Canada for the total amount of VC invested and made New Brunswick one of only three provinces to mark an increase in 2008. However, VC investment continues to be inconsistent and no discernable trends have developed in New Brunswick.

Province	2008		2007	
	Amount (\$ million)	Rank	Amount (\$ million)	Rank
ON	570	1	950	1
QC	349	2	642	2
BC	259	3	316	3
AL	77	4	47	5
<b>NB</b>	<b>26</b>	<b>5</b>	<b>16</b>	<b>8</b>
SK	21	6	59	4
NS	17	7	18	6
MN	4	8	18	7
NL	2	9	0	9
PEI	0	10	0	10
<b>Canada</b>	<b>1,325</b>		<b>2,066</b>	

Source: Thomson/Reuters

# REPORT ON PERFORMANCE – EDUCATION PRIORITY

To be a reputable source for investor and capital markets education and information.

**OVERVIEW** Our education priority is focused on providing access to appropriate and impartial investment and capital markets information and tools. We help New Brunswickers gain the knowledge, skills and confidence they need to make sound financial decisions for their future and protect themselves from fraud and inappropriate investments. Our role also includes providing information to capital markets participants including entrepreneurs, public companies and those involved in supporting activities related to accessing capital such as lawyers, accountants, securities dealers and advisers.

## INVESTOR EDUCATION – PROGRAMS AND INITIATIVES

Following the plan outlined in our education strategy and our objective to provide the investors of today and those of tomorrow with impartial educational resources, we led the following education initiatives in 2008-09:

### *Invest in Knowing More*<sup>TM</sup> campaign

Investment scams are real and are a serious concern for Canadian investors, including New Brunswickers. We know that fraud artists follow the headlines and have used the economic crisis as an enticement for investors to experiment outside their usual comfort zone to “get those losses back quickly at low risk”.

*Invest in Knowing More* is our public awareness campaign that has run since 2006. It not only creates awareness of the seriousness and reality of investment fraud in New Brunswick but also helps to influence investor behaviour to report suspected investment fraud to us.

### WINTER 2008 CAMPAIGN

In April 2008, we commissioned a survey to evaluate the familiarity with and impact of our January to March 2008 *Invest in Knowing More* campaign. The survey data showed that the campaign modestly increased awareness of the Commission and its role, which was up slightly over the previous survey results in 2007.

Almost two-thirds of New Brunswickers recalled our advertising through their exposure to a television, radio or newspaper advertisement at some point during the

three month campaign. On an unaided basis, 25% of respondents recalled genuinely seeing or hearing the message. When provided with a description of the advertising, an additional 36% of respondents recalled the campaign. Overall awareness (unaided and aided combined) was 61%. For both, the most common source of exposure was television and the most frequently recalled message was a warning about being aware of fraudulent activity.

This data was used when assessing how best to meet objectives in developing our 2009 *Invest in Knowing More* message.

### WINTER 2009 CAMPAIGN

Advertisements, launched in January 2009, were themed around the tagline “answering the telephone could cost you your life savings...calling us could save it - the New Brunswick Securities Commission.” Television commercials, billboards throughout the province, transit shelters in Fredericton, internet ads on [www.canadaeast.com](http://www.canadaeast.com) and [www.capacadie.com](http://www.capacadie.com), and print advertisements in major New Brunswick newspapers were part of the campaign. The television commercial demonstrated the reality that often fraud is perpetrated over a series of calls after building a level of trust with the fraud victim.

The strong messaging of *Invest in Knowing More* was also used during March Fraud Prevention Month, to reinforce to the investing public that fraud exists, and that we are the place to call should any suspicious investment related activity take place.

### Website

Our website [www.nbsc-cmnb.ca](http://www.nbsc-cmnb.ca) underwent a major restructuring and redesign in 2008. The goal of this project was to create a site that was welcoming for users with a more intuitive navigation structure as well as infuse educational material and information throughout.

The content in the investor section now focuses on important issues facing investors. As defined in our education strategy, our overall message *Invest in Knowing More* includes the following five ‘Knows’ that address our investor education goals:

- Know where you’re going financially – understanding the basics of investing, goal setting and risk tolerance;
- Know who you’re dealing with – understanding the role of registration, choosing an advisor and recognizing fraud;
- Know what you’re investing in – understanding the importance of researching investment opportunities and where to find information;
- Know the red flags that could signal a fraud – understanding and recognizing the warning signs and characteristics of scams; and
- Know where to go for help – understanding the importance of reporting fraud and the role of the Commission in preventing fraud and managing complaints.





“We help New Brunswickers gain the knowledge, skills and confidence they need to protect themselves from fraud and inappropriate investments.”

**Financial Fitness Challenge 2009**

The Financial Fitness Challenge contest ran during the month of February 2009 through the website [www.financialfitnesschallenge.ca](http://www.financialfitnesschallenge.ca). This was the third year of this CSA investor education initiative. The web-based quiz was developed for a youth audience, and targeted the 15 to 21 age group. We delivered classroom presentations about the Financial Fitness Challenge to Saint John and Bouctouche high school classrooms.

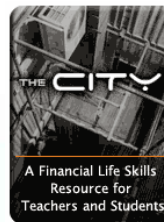
The strategic objectives of the Financial Fitness Challenge were to capture the interest of Canadian youth, effectively communicate the importance of financial literacy and promote youth engagement in financial matters. In New Brunswick, 673 youth successfully completed the challenge and registered for the chance to win a scholarship prize of \$750.

Results of a survey showed that while only 30% of participants were very interested in personal finance before completing the online challenge, 62% were very interested afterward. The survey also showed that more than 90% of participants indicated that after taking the challenge they knew more about how to budget, save and invest, and 95% indicated that they had a heightened awareness of how to be financially healthy. They also reported being more comfortable with the terms and definitions related to money and investing.



**The City**

The City is a financial life skills program offered through the Financial Consumer Agency of Canada’s (FCAC) online portal, [www.TheMoneyBelt.ca](http://www.TheMoneyBelt.ca). It is targeted to high school students and their families. We partnered with the FCAC to deliver training materials to over 100 high school and community college teachers interested in implementing The City in their classrooms. We also promote [www.TheMoneyBelt.ca](http://www.TheMoneyBelt.ca) and The City on the youth section of our website.



**Complaints Resources**

In an effort to provide investors with easy access to information and resources, a brochure was developed to address questions about complaints such as ‘How do I know if I have a complaint?’ or ‘Can I get my money back?’ This brochure is available in English and French on our website and in printed format.

**Investor Education Month**

October is Investor Education Month in Canada. Given the downturn in the economy, we developed an educational campaign focused on sharing tips for investing in volatile markets. Print advertisements were placed in the Telegraph Journal and L’Acadie Nouvelle and public service announcements were printed in many weekly papers throughout the province. Recorded public service announcements were sent to New Brunswick radio stations and played in both official languages. In addition, an article was placed in a Dieppe community college paper and an animated image highlighting investor tips was posted on our website.

**INVESTOR EDUCATION – FRAUD PREVENTION**

As part of our role to protect investors, we look for strategic alliances to help us deliver fraud prevention messages.

**ABC’s of Fraud®**

We sponsored New Brunswick’s ABC’s of Fraud® program through the Saint John Volunteer Centre for the second year in a row. The program is run by volunteers who deliver fraud awareness education throughout the province to various audiences. Through this sponsorship, a coordinator was hired to develop the program for a Francophone audience. Total participation in the presentations in English and in French topped 1832 attendees in 2008-09.

Attendance at ABC’s of Fraud® Presentations



## REPORT ON PERFORMANCE – EDUCATION PRIORITY

### Fraud Prevention Month

March is Fraud Prevention Month in Canada. This year we put together a comprehensive campaign using our *Invest in Knowing More* materials and messaging. The program included direct mail, public service announcements in print and on television and radio, and outreach to UNB Saint John, public libraries and the New Brunswick Community College Saint John. The *Invest In Knowing More* television advertisement was shown in Moncton area movie theatres and the print advertisement was used as a transit shelter ad and shown in movie theatres in Saint John. Direct mail had significant reach with delivery of bilingual post cards to 71,000 households in Northern New Brunswick and 33,000 in the Fredericton area.



### CAPITAL MARKETS PARTICIPANTS – PROGRAMS AND INITIATIVES

#### Learning the Ropes

Our capital markets education program, Learning the Ropes, focuses on presenting capital raising and equity financing options to entrepreneurs and capital markets stakeholders. It responded to entrepreneur and capital markets participants' requests at the 2007 *Fullsail* Summit for a sustainable approach to educating stakeholders about all aspects of capital markets, including capital raising options.

#### CHART YOUR COURSE TO BUSINESS GROWTH

This two-hour workshop was a part of the *Fullsail* Summit 2008 program. It was attended by approximately 40 entrepreneurs, students and *Fullsail* Summit delegates. The topics presented at the workshop included:

- where to go for financing and at what stage of growth;
- personal experience with financing from an entrepreneur's point of view;
- angel financing;
- expectations of angels; and
- what the Commission is doing to help.

#### GROW YOUR BUSINESS WITHOUT GROWING DEBT

French language Learning the Ropes events were held in Edmundston and Shippagan in November 2008. 56 entrepreneurs, accountants, lawyers and other capital markets participants attended these breakfast sessions.

Department of Finance staff provided an introduction to the SBITC program, which was then followed by a presentation by a local entrepreneur and an accountant, both of whom had significant experience with the program. Commission staff ended the workshop with a presentation about capital raising exemptions.

### EDUCATION OUTREACH INITIATIVES

We worked with a number of educational institutions and professional organizations to introduce securities-related information to students and professionals. The law schools at both the University of New Brunswick and the Université de Moncton continue to offer a securities law course. Our General Counsel staff delivered lectures for the course at the Université de Moncton and our Regulatory Affairs staff presented to law students at the University of New Brunswick. General Counsel staff also participated in a roundtable discussion during the Université de Moncton's orientation week for first year law students discussing securities law as a career option.

We sponsored the "Outstanding Achiever Spirit Award" for the four Junior Achievement banquets held throughout the province. Junior Achievement (JA) is an international organization with strong links in New Brunswick. JA's experiential programs teach the key concepts of work readiness, entrepreneurship and financial literacy to young people all over the world.\*

\*Source: [www.ja.org/](http://www.ja.org/)



## REPORT ON PERFORMANCE – CORPORATE EXCELLENCE PRIORITY

To ensure we have the infrastructure in place to excel as a Crown corporation and quasi-judicial tribunal.

“  
*We endeavour to find the balance between a supportive business development culture and an effective investor protection mandate.*”

**OVERVIEW** Our corporate excellence objective is to be recognized as a leading-edge organization, supported by expertise and resources that enable us to maintain a cost-effective regulatory framework to meet the needs of the capital markets.

As we endeavour to find the balance between a supportive business development culture and an effective investor protection mandate, relationships with our communities, whether they be formal partnerships or networks, are extremely important to the work of the Commission.

### REGULATORY COMMUNITIES

We monitor the global regulatory system through our memberships with national and international regulatory bodies. The regulation of New Brunswick's capital markets is seamlessly integrated into the larger Canadian market. With global outreach, we continue to best serve and protect the interests of our investors and capital markets participants.

### CANADIAN SECURITIES ADMINISTRATORS

As in previous years, we worked closely with Canadian Securities Administrators (CSA) partners to improve the existing harmonized national regulatory system, called the Passport System.

This year, we demonstrated that cooperation with other CSA jurisdictions enhances our work in enforcement. As well as cooperating on joint investigations and sharing intelligence, we used reciprocal orders to protect investors and the capital markets in New Brunswick from those who have been sanctioned in another province.

Our work to bring the small jurisdiction perspective to CSA activities includes being active on over 30 permanent and project committees with particular attention in the areas of regulatory policy, investor education and enforcement. In 2008-09, we became a standing member of the Policy Coordination Committee, which directs CSA activity. Our Executive Director completed his two year term as Chair of the Executive Directors' Committee and our General Counsel was appointed as Co-chair of the Legislative and Regulatory Coordination Committee.

### NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

Contacts made through our membership in the North American Securities Administrators Association (NASAA) helped us pursue enforcement actions across Canadian boundaries into the United States. We also contributed to and learned from NASAA investor education initiatives by participating in conferences and learning events. One of our Senior Legal Counsels was designated as the Canadian representative on the NASAA Corporate Finance Committee; our Director of Enforcement sits on the Enforcement Committee; and our Executive Director serves on NASAA's board Governance Committee.

### COUNCIL OF SECURITIES REGULATORS OF THE AMERICAS

We completed our first full year as a member of the Council of Securities Regulators of the Americas (COSRA). Our COSRA membership increases our knowledge of the global perspective and international regulatory concerns, issues, trends and initiatives. COSRA exposes us to North, South and Central American as well as Caribbean regulators, expanding our reach and improving access to enforcement and capital markets information and resources.

### COMMUNITY PARTNERSHIPS

We continue to partner with community groups and organizations to support and execute our capital markets development and investor protection mandate. Our work in these areas is further detailed in Report on Performance – Capital Markets Growth and Education sections.

We undertook efforts to demonstrate our expertise in areas of regulatory cooperation, education and corporate governance including establishing an articling program for a law student among the Commission, WorkSafe New Brunswick, the Energy and Utilities Board and Legal Aid New Brunswick. Additionally, we implemented a detailed communications and government relations strategy and a communications crisis plan to demonstrate our operational and legislative flexibility in responding to capital markets, regulatory and enforcement issues.

### COMMUNITY ENGAGEMENT AND PUBLIC OUTREACH

We worked diligently to inform New Brunswickers about our role, function and relevance through news releases, media relations, advertising campaigns, educational events and our *Fullsail* Summits. Tools such as our publications, website and annual report as well as our outreach efforts also help us communicate this message.

Of particular note this year, our Chair and Members met with key influencers to share our mandate and provide relevant examples of our work in the province. In 2008-09, we held meetings with a diverse range of stakeholders and community members, including federal and provincial government officials, policy makers, industry professionals, as well as Boards of Trade and Chambers of Commerce members.

## STATISTICS AT A GLANCE

	2008-09	2007-08	2006-07
<b>Enforcement Activity</b>			
Complaints received <sup>1</sup>	41	81	71
New investigations	53	35	29
Concluded investigations	43	20	22
Average length of investigation (in days)	114	88	160
Interim cease-trade orders	5 (19 parties)	4 (24 parties)	13
Permanent cease-trade orders	4 (11 parties)	4 (4 parties)	5
Reciprocal cease-trade orders	4	1	-
Registrants and other market participants prohibited or limited from participating in market	15	1	2
Settlements approved	5	5	2
Hearing days (excludes hearings on requests for investigative orders)	20	16	24
Costs levied	\$64,033	\$29,000	\$5,000
Costs recovered	\$34,000	\$3,750	\$0
Administrative penalties levied	\$683,000	\$401,100	\$55,000
Administrative penalties recovered	\$238,000	\$51,100	\$10,000
Disgorgement ordered	\$160,000	-	-
Disgorgement recovered	\$25,090	-	-
Disgorgement paid out	\$23,090	-	-

<sup>1</sup> The method for tracking new complaints has changed. The new measurement is more reflective of the enforcement mandate and represents complaints which were assessed and / or investigated and which were securities related. The complaints statistic does not include referrals from other regulators or self-generated matters (which accounts for the difference between this number and the number of new investigations).

“The Commission’s enforcement actions are proportional to the severity of the violation and are used to send a clear deterrent message. We have imposed \$107,783 in costs and over \$1.2 million in administrative penalties since 2004.”



## STATISTICS AT A GLANCE

	2008-09	2007-08	2006-07
<b>Corporate Finance Activity</b>			
Reporting issuers	4287	3937	3568
Reporting issuers (New Brunswick-based)	7	7	6
Prospectus filings	352	507	532
Investment fund prospectus filings	224	225	213
Annual information forms	1395	1299	926
Exempt distribution reports	291	264	265
Rights offering circulars	20	17	11
Exemption applications <sup>1</sup>	218	442	604
Cease-trade order	1	-	-
Management cease-trade order	1	-	-
<b>Registration Activity</b>			
New dealer and adviser firms	23	24	34
New individual registration applications	3280	3615	3689
Applications of registration transfer	314	315	261
Applications of registration termination	2059	1795	1728
Applications to change previously filed registration information	12760	12110	15328
Registered individuals (trading or advising)	7555	7349	7012
Registered individuals (trading or advising, New Brunswick residence)	1809	1681	1602
Registered firms <sup>2</sup>	283	282	261
Registered firms (New Brunswick head office)	7	7	7
Branches/sub-branches in New Brunswick <sup>2</sup>	551	541	496

<sup>1</sup> Filing declining due to the Passport regime, effective on 17 March 2008.

<sup>2</sup> Growth is slowing due to firm amalgamation.  
NOTE :Data for fiscal year end.



## ORGANIZATIONAL STRUCTURE

**OVERVIEW** We are an independent, self-funded Crown corporation listed under Part IV of the *Public Service Labour Relations Act*. We are responsible for administering and enforcing the New Brunswick *Securities Act* and performing the duties assigned to us under the Act. We are a two-tiered body corporate, comprised of a quasi-judicial tribunal of six Members and a second operational tier of permanent specialized staff. Our Members, acting as the board of directors, have the authority to carry out all responsibilities for the operation of the organization as set out in the legislation.

The Members apply their expertise in the areas of management oversight, policy development and adjudication. The Chair is our Chief Executive Officer, while the Executive Director is our Chief Administrative Officer. Management is accountable to the organization and also, in the case of the Chair, to the Government and Legislature. The Members are accountable to the Government, and by extension through the Legislature, to the public for the proper administration of the *Securities Act* and the effective governance of the Commission.

### THE COMMISSION'S MANDATE

Our legislative mandate, as defined in Section 2 of the *Securities Act*, is to provide protection to investors from unfair, improper or fraudulent practices and foster fair and efficient capital markets and confidence in those markets.

We perform the following functions in support of our mandate:

**Enforcement** – we ensure that those who violate securities legislation are held accountable and we protect investors and capital markets through deterrence measures.

**Regulatory compliance** – we ensure participants in the securities marketplace meet the regulatory requirements.

**Rule-making** – we establish the rules that govern securities markets and investment activities.

**Education** – we provide access to appropriate information to help investors know how to make informed investment decisions and to help market participants understand how to access and operate in New Brunswick's capital markets.

**Capital markets development** – we foster development and growth of the capital markets to encourage capital investments in New Brunswick companies and entrepreneurs, which contribute to the economic well-being of New Brunswick.

### DIVISIONS

#### Executive Management

The Executive Management division consists of the Executive Director and direct reports. This division exercises statutory regulatory authority and other responsibilities delegated by the Commission. It provides direction to staff while ensuring cost-effective service delivery, efficient regulatory function, administrative support and streamlined management of the organization. The division also undertakes long-term strategic planning for the Commission.

#### Regulatory Affairs Division

The Regulatory Affairs division was created in the spring of 2008 by bringing together the Corporate Finance and Market Regulation divisions. The principal role of Regulatory Affairs is to ensure that registrants and reporting issuers adhere to the *Securities Act* and other regulatory instruments. The three main functions of the division are corporate finance, market regulation and accounting.

#### Education and Market Development

The Education and Market Development division focuses on two of our strategic priorities – education and capital markets growth. This includes the implementation of our educational programs for the general public, investors and other stakeholders and our capital markets development initiatives. Communications is an over-

arching theme connecting these priorities, and our communications and media relations functions are also an integral part of this division.

#### Enforcement

The Enforcement division responds to investor complaints and inquiries, investigates and prosecutes violations of the *Securities Act* and minimizes fraudulent activity against the investing public through proactive and vigorous enforcement of legislation. The Enforcement division generates and evaluates information it receives on potential violations of the *Securities Act* and works with staff from other divisions to advance public awareness about fraud.

#### General Counsel

The General Counsel division acts as both our legal and policy branch. This team provides advice to Members and staff on corporate, operational, regulatory and adjudicative matters and acts as the regulatory policy coordination division. The General Counsel division also leads certain major regulatory policy projects.

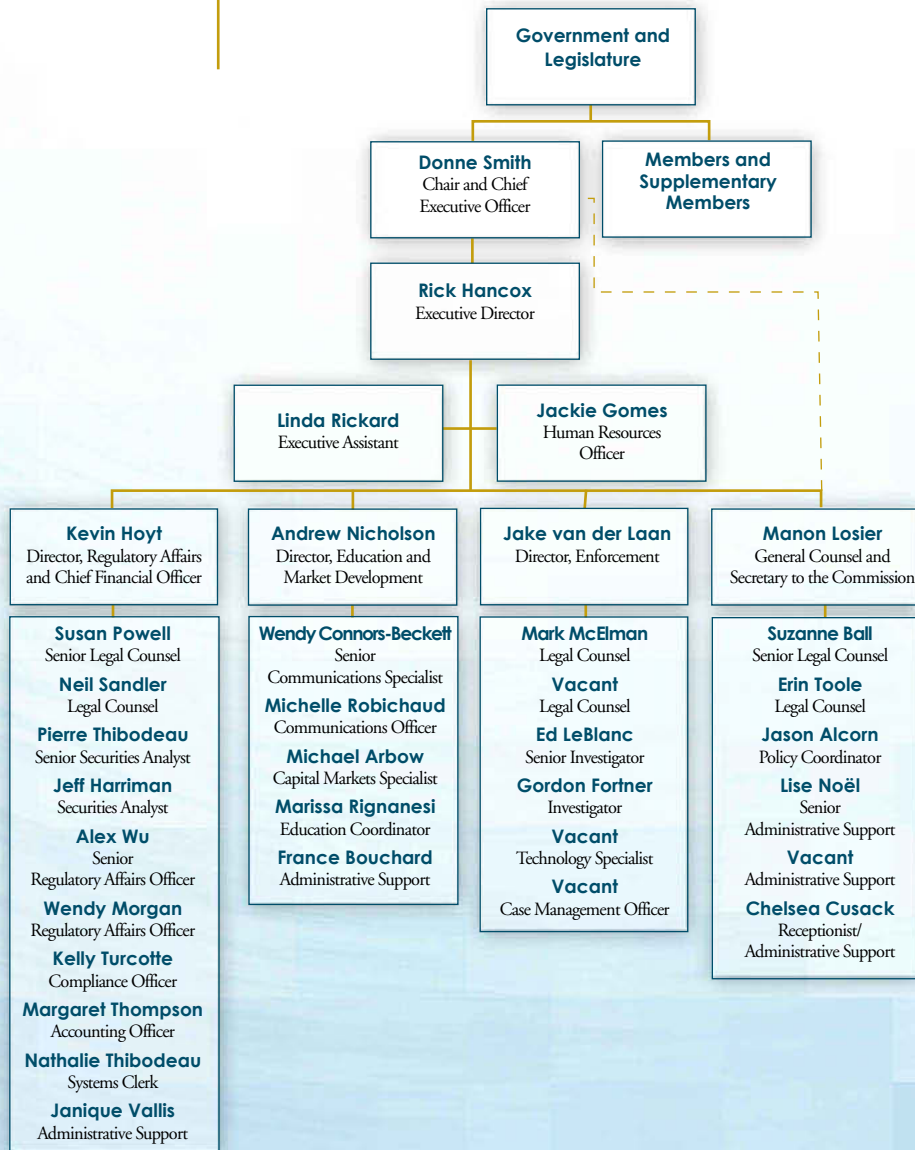
The General Counsel is the Secretary of the Commission and is responsible for organizing our board meetings and administrative hearings and ensuring their efficient operation.

“*To ensure excellence, we invest in our staff by encouraging innovation and developing expertise, leadership and effective teamwork.*”



# ORGANIZATIONAL CHART

As at 31 March 2009





## CORPORATE GOVERNANCE

We are committed to the pursuit of the highest standards of corporate governance. Our governance policy allows for practical, effective management and oversight. The full text of our governance policy is found on our website at [www.nbsc-cvmb.ca](http://www.nbsc-cvmb.ca).

### COMMISSION GOVERNANCE PRACTICES Role of Commission Members

As directors of the Commission, Members are responsible for overseeing the management of the business and affairs of the Commission, including approval of the annual strategic business plan and annual budget. As well, Members review resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems.

As policy-makers, the Members meet to consider regulatory initiatives and determine regulatory priorities, review and approve rules and policies, and recommend changes to the *Securities Act*, particularly in areas that harmonize with other jurisdictions. In this fiscal year, the Commission recommended amendments to the *Securities Act* to promote the framework for the national Passport System for registration. The Commission also brought into force a local rule governing hearing procedures and adopted a number of national rules and policies.

Members adjudicated 15 enforcement matters and considered 32 applications for exemptions from the requirements of the legislation.

### Role of Supplementary Members

Supplementary Members serve on adjudicative panels that conduct hearings and make decisions as an administrative tribunal.

### Role of the Chair

The Chair, also the Chief Executive Officer, is responsible for the administration of the *Securities Act* and for the overall performance and management of the organization.

He reports to the provincial legislature through the Minister of Justice and Consumer Affairs, the Minister responsible for securities regulation.

The Chair presides over Commission meetings. He acts as the Commission's chief spokesperson and exercises leadership by representing the organization to the general public. At a senior level, he also manages relationships with national organizations, such as the Canadian Securities Administrators, and international organizations, such as the Council of Securities Regulators of the Americas, as well as self-regulatory organizations, advisory committees and senior industry organizations.

### Composition of the Commission and the nomination process

Although Members are appointed by Order-in-Council, the Commission plays an active role in recommending candidates to the Minister for selection, pursuant to a Memorandum of Understanding with the Department of Justice and Consumer Affairs.

An organizational profile, contained in our Governance Policy, reflects our need for appropriate skills and expertise among our Members, along with a reasonable geographical and linguistic representation that reflects the diversity of the province.

The Human Resources and Governance Committee reviews the organizational profile on a regular basis to assess the strengths of our current Members against the profile. This allows us to prepare for the expiry of the terms of our Members. In July 2008, two Members and a Supplementary Member were appointed and one

Member was reappointed following an extensive nomination process. The Human Resources and Governance Committee also commenced the nomination process in anticipation of the 30 June 2009 expiry of the terms of one Member and the Chair.

### Independence of the Commission as a board of directors

Our Governance Policy requires that a Member must not have a direct or indirect association with the Commission that, in the board's opinion, could reasonably interfere with the exercise of his or her independent judgment. With the exception of the Chair, who is also the Chief Executive Officer, all Members are considered to be independent.

As part of every Commission and committee meeting, the Chair meets in private with the independent Members. This part of the meeting is followed by an *in camera* meeting of the independent Members only, chaired by the Lead Member or, in the case of committee meetings, by the committee chair.

### Role of the Lead Member

Our Governance Policy provides that independent Members must designate one of the Members as the Lead Member. The Lead Member is responsible for ensuring that Members function independently of management. Anne La Forest was appointed as Lead Member in September 2008. The details of the responsibilities of the Lead Member are set out in our Governance Policy.



## CORPORATE GOVERNANCE

“ We are committed to the pursuit of the highest standards of corporate governance. Our governance policy allows for practical, effective management and oversight. ”

### ATTENDANCE

Member	Commission meetings (11)	Special meetings including strategic planning, and education sessions (4)	Audit Committee meetings (6)	Human Resources and Governance Committee meetings (10)	Adjudicative Committee meeting (1)	Enforcement hearings (24)	Hearings on exemption requests (32)	Miscellaneous travel, preparation, orientation
Donne W. Smith	11	4	6	8 <i>Note 3</i>	1	7	29	0
Anne La Forest	10	3	4 <i>Note 4</i>	4 <i>Note 4</i>	0 <i>Note 4</i>	11	5	18
Hugh J. Flemming, Q.C.	3 <i>Note 1</i>	0	2 <i>Note 1</i>	1	0	3	8	4
David Hashey, Q.C.	3 <i>Note 1</i>	0	2 <i>Note 1</i>	1	0	1	0	4
Sheldon Lee	8 <i>Note 2</i>	4	4 <i>Note 2</i>	2	1	2	3	12
Kenneth Savage, CA	11	4	6	10	1	11	7	26
Céline Trifts	11	4	0	9 <i>Note 3</i>	1	12	8	29
Harry H. Williamson, Q.C.	8 <i>Note 2</i>	4	0	6 <i>Note 2</i>	1	1	3	24
<b>Supplementary Member</b>								
Robert Shannon, CA	N/A	N/A <i>Note 5</i>	N/A	N/A	1	4	N/A	6
Denise LeBlanc, Q.C.	N/A	N/A <i>Note 5</i>	N/A	N/A	1	3	N/A	7
James Lockyer, Q.C.	N/A	N/A <i>Note 5</i>	N/A	N/A	1	0	N/A	2

*Note 1 Outgoing – The terms of Mr. Flemming and Mr. Hashey expired on 14 July 2008.*

*Note 2 Incoming – The terms of Mr. Lee and Mr. Williamson commenced on 15 July 2008.*

*Note 3 Mr. Smith and Ms. Trifts absented themselves from meetings to avoid a conflict of interest.*

*Note 4 Ms. La Forest became a member of the Audit Committee on 19 August 2008 and ceased to be a member of the Human Resources and Governance Committee on that day.*

*Note 5 The education sessions did not relate to the role performed by the supplementary members.*

# CORPORATE GOVERNANCE

## COMMITTEES

The Commission has three standing committees : Audit, Human Resources and Governance, and Adjudicative. The terms of reference are in our Governance Policy. Bylaw No 1 - *General Business Affairs*, establishes the remuneration for the Chair and Members, and outlines committee structure and operation. The Audit and Human Resources and Governance Committees must meet a minimum of four times per year while the Adjudicative Committee meets twice a year. Committee members are independent. The Chair sits *ex officio* on the Audit and Human Resources and Governance Committees and does not vote. The Chair presides as chair of the Adjudicative Committee which consists of all Members and Supplementary Members.

Committee members are expected to confirm, prior to accepting their appointment, that they have the time, experience and education to serve on a committee and that their ability to participate is not compromised by service on other external boards or committees.

### Audit Committee

The Audit Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management.

Members of the Audit Committee are required to be financially literate, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues

that are generally comparable to the issues that might be raised by our financial statements. All Audit Committee members have attested to their financial literacy.

In addition to the annual review of its mandate, this year the Audit Committee approved revisions to several financial policies and a new policy on disgorgement, oversaw a successful audit, reviewed the budget, management's reports on risks and internal controls and conducted monthly reviews of our financial statements and quarterly reviews of the forecasts and of Members' expenses.

### Human Resources and Governance Committee

The Human Resources and Governance Committee is responsible for compensation, nomination of senior management, nomination of Members and Supplementary Members, and assessment of the organizational structure and performance, human resources policies and procedures, and governance.

The Human Resources and Governance Committee conducted the annual review of its mandate, the human resources policies and the Governance Policy. It also conducted the annual assessment of the performance and effectiveness of the Commission, our committees, individual Members and our Chair. The Committee reviewed the staff succession plan and identified the skill sets required for the appointment or reappointment of the Member and the Chair whose terms are set to expire in June 2009. The Committee also considered the proposal for the addition of an Adjudicative

Committee and considered and approved an organizational restructure. The Committee also reviewed the Chair's statement of priorities.

### Adjudicative Committee

This year we established an Adjudicative Committee to review and evaluate our adjudicative procedures and practices and recommend improvements where appropriate. The Adjudicative Committee also provides a forum for discussion of hearing processes and recent case law. All Members and Supplementary Members are members of this Committee.

The Committee conducted an annual review of the support role of the office of the Secretary to the Commission in relation to hearings. It also considered processes related to compensation, disgorgement and reciprocal orders as well as settlement agreements.

## MEMBERS' REMUNERATION AND EXPENSES

Bylaw No 1, *General Business Affairs* provides the salary, retainers and service fees for the Chair, Members, Lead Member, Committee chairs and Supplementary Members as set out below.

	Salary	Annual Retainer <small>Note 1</small>	Service Fee
Chair and CEO	Up to \$175,000	N/A	N/A
Members	N/A	\$10,000	\$350
Supplementary Members	N/A	\$ 5,000	\$350

*Note 1 The Lead Member and Committee chairs receive an additional retainer of \$2,000.*



## CORPORATE GOVERNANCE

“Bylaw No 1 - General Business Affairs, establishes the remuneration for the chair and members, and outlines committee structure and operation.”

### Members

The Members' retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2008-09 are included below.

Member	Appointed or reappointed	Term End	Retainer	Service Fees	Total Remuneration	Expenses
Hugh J. Flemming, Q.C.	1 July 2004	14 July 2008	\$ 3,457	\$ 7,350	\$10,807	\$ 1,170
David Hashey, Q.C.	1 July 2004	14 July 2008	\$ 3,457	\$ 3,850	\$ 7,307	\$ 1,824
Anne La Forest (Lead Member)	1 July 2004 15 July 2008	14 July 2012	\$11,821	\$19,250	\$31,071	\$ 3,229
Sheldon Lee	15 July 2008	14 July 2013	\$ 7,120	\$12,600	\$19,720	\$ 6,329
Kenneth Savage, CA (Committee chair)	16 August 2007	30 June 2010	\$11,228	\$26,600	\$37,828	\$10,893
Céline Trifts (Committee chair)	16 August 2007	30 June 2009	\$11,228	\$25,900	\$37,128	\$10,176
Harry Williamson, Q.C.	15 July 2008	14 July 2013	\$ 7,120	\$16,450	\$23,570	\$ 7,430

### Supplementary Member

	Appointed or reappointed	Term End	Retainer	Service Fees	Total Remuneration	Expenses
Denise A. LeBlanc, Q.C.	15 July 2008	14 July 2011	\$3,560	\$3,850	\$7,410	\$ 960
James Lockyer, Q.C.	15 November 2007	31 October 2010	\$5,000	\$1,050	\$6,050	\$ 424
Robert Shannon, CA	15 November 2007	31 October 2010	\$5,000	\$3,850	\$8,850	\$4,264

*Note 1 The Supplementary Members service fees include payment for participation in orientation or education sessions relevant to the adjudicative functions they perform.*

## CORPORATE GOVERNANCE

### CHAIR AND CEO

The Chair received a basic salary of \$171,590 plus employment benefits which include health, dental and life insurance, pension and supplemental pension, retirement allowance, leave, parking and the use of a vehicle. The Chair's expenses, which include the operating costs of a vehicle, travel, meals, hotel, parking and education, were in the amount of \$31,731 for the year.

### SENIOR MANAGEMENT REMUNERATION

Senior Management of the Commission consists of the Executive Director and four division heads. Their compensation and benefits are determined by the Commission based on advice from an independent consultant. In addition to salary, senior management receives the same employment benefits received by all Commission employees which include health, dental and life insurance, pension, leave and parking. Salaries for senior management in 2008-09 are set out in the table below.

Name	Position	Salary
Kenrick Hancox	Executive Director	\$136,738
Kevin Hoyt	Director, Regulatory Affairs and Chief Financial Officer	\$119,766
Manon Losier	General Counsel and Secretary to the Commission	\$128,849
Andrew Nicholson	Director, Education and Market Development	\$108,523
Jake van der Laan	Director, Enforcement	\$116,994

### ORIENTATION

New Members undergo extensive mandatory orientation. The orientation program provides Members with an overview of the Canadian and New Brunswick securities regulatory landscape, our operations, financial affairs, legal framework, governance practices and our role as a quasi-judicial tribunal. Members also receive a detailed binder on our operations and the orientation is provided in half-day modules to provide flexibility. The program provides Members with an opportunity to meet senior management, tour our offices and be briefed on our operations, human resource and financial policies and rule-making authority.

New Supplementary Members are also required to participate in an orientation program before participating in Commission hearings. Since the Supplementary Members only participate in Commission hearings, the day-long program is focused on introducing them to hearing enforcement matters and our role as a tribunal, along with the basics of securities law and administrative law. Briefings on our legal framework, compliance and enforcement functions are included. A tour of our offices also gives Supplementary Members an opportunity to meet senior management and staff.

### CONTINUING EDUCATION

The continuing education program consists of a combination of common training sessions and individual training. This year an extensive session on risk management was provided to Members. In addition, five Members attended a national securities conference which provided a forum for discussion of current issues in securities regulation. One Supplementary Member attended an investigative and forensic accounting course. As well, Members received presentations from staff on self-regulatory organizations and derivatives.

As part of the Members' annual self-evaluation and interview with the Chair, each Member is asked to identify the skill and knowledge areas they would like to enhance. Subject areas for recommended training include financial literacy, administrative law, director competency and securities / investment industry.



Financial Fitness Challenge winner  
cheque presentation



## CORPORATE GOVERNANCE

“Our governance policy states that the highest ethical standards are expected of our Members, Supplementary Members, senior management and staff.”

### ASSESSMENT OF THE COMMISSION, COMMITTEES AND MEMBERS

In 2008, Members completed a self-assessment questionnaire in addition to a questionnaire on the performance of the Commission, its committees and Members. The results of the latter questionnaire were sent in confidence to the Chair of the Human Resources and Governance Committee who assembled a report that was discussed at an *in camera* session of the Committee and then of the Commission. The Chair prepared a report with recommendations for management.

The results of the self-assessment questionnaire were sent in confidence to the Chair of the Commission. He then met individually with each of the Members to discuss the individual's training needs as well as ways of improving the Commission's performance.

### CODE OF CONDUCT

Our governance policy states that the highest ethical standards are expected of our Members, Supplementary Members, senior management and staff. We have adopted a code of conduct for Members which stipulates that Members must not act in a manner that might result in the loss of public confidence in the integrity of the Commission. The code includes provisions designed to minimize the possibility of bias and conflict of interest. Senior management and staff are also expected to comply with the Employee Code of Conduct and the General Regulation. These codes and the General Regulation ensure a process for disclosing real or potential conflicts of interest and a system for detecting and mitigating unethical activities by Members, Supplementary Members, senior management or staff.

### CONFLICT OF INTEREST

Our Members and staff are regularly exposed to confidential information. Both are subject to rigorous conflict of interest disclosures which include the disclosure of securities holdings along with the reporting of any changes in holdings as well as the immediate reporting of conflicts or perceived conflicts that may influence decisions.

Watching volatile stock markets can be stressful...  
Making smart investment decisions shouldn't be.  
The New Brunswick Securities Commission  
is here to help.

October is Investor Education Month. To help investors make some sense of the recent turmoil in our financial markets, the New Brunswick Securities Commission would like to share some helpful tips.

**Maintaining calm in the face of volatile markets is extremely important!**

A hasty decision can often make a bad situation worse.

**If it sounds too good to be true - it probably is!**  
Scammers often hide behind the headlines. Be wary of high pressure pitches promising big returns to offset recent losses with no associated risk. Be aware that investors nearing retirement are often targeted by phoney high-return, no-risk investment schemes promising to make up for losses in retirement accounts.

**Keeping a balanced portfolio is your best defence against short-term market downturns!**

Keep your long-term investment goals in mind and make sure you are well informed about the possible consequences of sudden changes in your portfolio.

**Your financial adviser is there to assist you!**

If you have concerns about your portfolio we encourage you to talk to your financial adviser and review your options to make sure they are in-line with your risk tolerance and investment goals.

**Invest in Knowing More™ before you part with your hard-earned money!**

Learn more about the basics of investing by visiting our web-site at [www.investinknowingmore.ca](http://www.investinknowingmore.ca) or call 1-866-933-2222.

NEW BRUNSWICK  
SECURITIES COMMISSION

COMMISSION DES  
VALEURS MOBILIERES  
DU NOUVEAU-BRUNSWICK



## COMMISSION MEMBERS

**THE NEW BRUNSWICK SECURITIES COMMISSION** consists of Members and operational staff. Members act as our board of directors, set policy and act as a tribunal on enforcement and exemption matters. The Chair, a full-time Member, acts as our Chief Executive Officer and is responsible for the overall operation of the organization. Members are appointed by the Lieutenant-Governor in Council for terms not exceeding five years, and they may be reappointed. Supplementary Members are appointed by the Lieutenant-Governor in Council for terms not exceeding three years and may also be reappointed.

### **KENNETH SAVAGE, CA, CFP**

Residence: Fredericton

Mr. Savage is a Chartered Accountant and a Certified Financial Planner. He was a partner in KPMG and served on a number of the firm's internal committees. He was in public practice for over 40 years before retiring in 2005. Mr. Savage is currently Comptroller of a corporation in the construction industry of which he is also a director and shareholder. He served as Treasurer of the Fredericton Chamber of Commerce, and was a member of the board of directors of Via Rail Canada Inc. where he served as Chair of the Audit and Risk Committee and as a member of the Planning and Finance Committee and the Investment Committee. He is a member of the New Brunswick Institute of Chartered Accountants, the Canadian Institute of Chartered Accountants and the Financial Planners Standards Council.

Appointed: 16 August 2007

Term expires: 30 June 2010

#### Committees:

- Audit (Chair)
- Human Resources and Governance
- Adjudicative

#### Professional and industry experience:

- Financial
- Accounting
- Auditing
- Business Advisory
- Governance

#### Education:

- CA, New Brunswick Institute of Chartered Accountants
- CFP

### **HARRY H. WILLIAMSON, Q.C., BA, BEd, LLB**

Residence: Bathurst

Mr. Williamson has practiced law in Bathurst for over 30 years and was appointed Queen's Counsel in 1991. Mr. Williamson is a Past President of the New Brunswick Law Society, past chairman of the New Brunswick Law Foundation and has served as Chairman of the Disciplinary Committee, and member of the Judicial Appointments Review Committee as well as lecturer at the Bar Admission Course. He was President of the Bathurst Rotary Club, a Director of the UNB Alumni Association and the Chairman of the Belledune Port Authority and currently serves as Chairman of the Bathurst Public Trust Funds Inc. and as a director of the Belledune Port Authority.

Appointed: 15 July 2008

Term expires: 14 July 2013

#### Committees:

- Human Resources and Governance
- Adjudicative

#### Professional and industry experience:

- Commercial law
- Administrative law
- Tribunal member

#### Education:

- BA, University of New Brunswick
- BEd, University of New Brunswick
- LLB, University of New Brunswick

### **CÉLINE TRIFTS, BSc, MBA**

Residence: Bass River

Ms. Trifts is a pharmacist and has recently retired after more than 30 years in the health care sector. She is a Past President of the New Brunswick Branch of the Canadian Society of Hospital Pharmacists and was a member of the Task Force on Standards for Hospital Pharmacy Practice and the Task Force for Membership Structure for the Canadian Society of Hospital Pharmacists. Ms. Trifts is a former lecturer in the Pharmacy Technician program at the Memramcook Institute. She is currently a Commissioner and a member of the executive of the Kent Regional Planning Commission, and a member of the board of directors of the Rexton Area Health Care Foundation.

Appointed: 16 August 2007

Term expires: 30 June 2009

#### Committees:

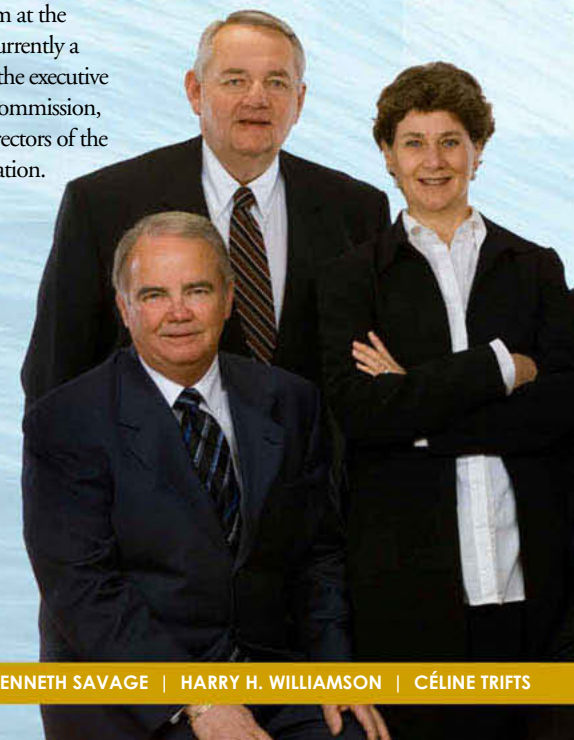
- Human Resources and Governance (Chair)
- Adjudicative

#### Professional and industry experience:

- Business
- Education
- Management

#### Education:

- BSc (Pharmacy), Dalhousie University
- MBA, Université de Moncton
- Certificate in Health Services Management, the Canadian Hospital Association





## COMMISSION MEMBERS

“Members are appointed by the Lieutenant-Governor in Council for terms not exceeding five years, and they may be reappointed.”



### SHELDON LEE

Residence: Bonny River

Mr. Lee is a retired businessman and served in the Legislature of New Brunswick for 25 years. He was Minister of Transportation from 1987 to 1999 and from 1999 to 2003 served as Chairman of the Public Accounts Committee of the Legislature. He was also a member of the Legislature's Standing Committee on the Ombudsman, the Committee to Review Rates and Policies in the Insurance Industry in New Brunswick and the Select Committee for Natural Resources and Energy on Crown Lands and Wildlife Habitat. Mr. Lee was the recipient in 1992 of the 125th Anniversary of the Confederation of Canada Medal and in 2002 of the Queen Elizabeth II Golden Jubilee Medal. He has played an active role in his community, where he was a Director of the St. George Rotary Club and the Charlotte County Chamber of Commerce.

Appointed: 15 July 2008  
Term expires: 14 July 2013

#### Committees:

- Audit
- Adjudicative

#### Professional and industry experience:

- Business
- Management

### DONNE W. SMITH, BA, LLB

Chair and Chief Executive Officer

Residence: St. Andrews

Mr. Smith has over 25 years of experience in securities law. Previously, he was Administrator and Director of the Securities Administration Branch of the Department of Justice under the *Security Frauds Prevention Act*. For several years, he concurrently held the role of secretary of the Board of Commissioners of Public Utilities and Motor Carrier Board. Mr. Smith was also acting Chair of the Public Utilities Board in 2006. He is a member of the New Brunswick Law Society, the Canadian Bar Association and is a former vice-chair of the Canadian Securities Administrators.

Appointed: 1 July 2004  
Term expires: 30 June 2009

#### Committees:

- Human Resources and Governance (*ex officio*, non-voting)
- Audit (*ex officio*, non-voting)
- Adjudicative (Chair)

#### Professional and industry experience:

- Securities law
- Administrative law
- Tribunal member

#### Education:

- BA, Mount Allison University
- LLB, University of New Brunswick

### ANNE LA FOREST, LLB, LLM

Residence: Fredericton

After many years in private practice and as a professor, Ms. La Forest was appointed Dean of the University of New Brunswick's Faculty of Law and remained Dean until 2004. Professor La Forest teaches in the areas of property law, international law, comparative law, commercial law, conflict of laws and securities law. In 1995, she received the Dalhousie Law Alumni Association and Law Students' Society Teaching Award. She is a member of the Law Society of New Brunswick, the Canadian Bar Association and of the bars of Nova Scotia and Ontario. She has extensive experience as an arbitrator, has been a member of the Nova Scotia Human Rights Tribunal and is a Fellow of the Cambridge Commonwealth Society. She is currently a member of the Patented Medicines Prices Review Board and the Board of Governors of the National Judicial Institute.

Appointed: 1 July 2004  
Reappointed: 15 July 2008  
Term expires: 14 July 2012

#### Committees:

- Lead Member
- Audit
- Adjudicative

#### Professional and industry experience:

- Securities law
- Administrative law
- Tribunal member

#### Education:

- LLB, University of New Brunswick
- LLM, Cambridge University (Emmanuel College)

## COMMISSION MEMBERS – SUPPLEMENTARY MEMBERS

**JAMES E. LOCKYER, Q.C., BA, LLB, LLM, DEA**  
Residence: Moncton

Mr. Lockyer is a law professor and former Dean of Law at the Faculté de droit of the Université de Moncton. He is a past President of the Law Society of New Brunswick. He was a member of the Legislative Assembly of New Brunswick and served as Attorney General and Minister of Justice. He is a member of the Board of Directors and Executive of the Moncton Flight College. He is a member of the Law Society of New Brunswick and Canadian Bar Association. Professor Lockyer was recipient of the American College of Trial Lawyers "Award of Merit" for his work with students in the field of trial and appellate advocacy.

**Appointed:** 15 November 2007  
**Term expires:** 31 October 2010  
**Professional and industry experience:**

- Administrative law
- Tribunal member

**Education:**

- BA, Mount Allison University
- LLB, University of New Brunswick
- LLM, London School of Economics and Political Science
- DEA, Université de Paris 1 (Panthéon Sorbonne)

**ROBERT SHANNON, CA**  
Residence: Douglas

Mr. Shannon is a partner in the accounting firm of Shannon and Buffet. He has practiced for over 35 years specializing in accounting, auditing and taxation, first with the Office of the Auditor General and later with a private accounting firm. Mr. Shannon is a former Chair of the New Brunswick Farm Products Commission and a former member of the New Brunswick Board of Commissioners of Public Utilities and the Motor Carrier Board. He is a member of the New Brunswick Institute of Chartered Accountants and serves on several of its committees.

**Appointed:** 15 November 2007  
**Term expires:** 31 October 2010  
**Professional and industry experience:**

- Accounting
- Administrative law
- Tribunal member

**Education:**

- Diploma of Technology in Business Administration, Saint John Institute of Technology
- CA, New Brunswick Institute of Chartered Accountants

**DENISE A. LEBLANC, Q.C., MPA, LLB, BPE**  
Residence: Moncton

Ms. LeBlanc has been practicing law for over 20 years and is a partner in the law firm of McInnes Cooper, focusing on the areas of asset recovery, insolvency and corporate and business law. She is a member of the Law Society of New Brunswick and the Canadian Bar Association. Ms. LeBlanc was an arbitrator/adjudicator in the New Brunswick Small Claims Court, as well as a lecturer at the Bar Admission Course and the Faculté de droit of the Université de Moncton. She sits on the boards of several community organizations.

**Appointed:** 15 July 2008  
**Term expires:** 14 July 2011  
**Professional and industry experience:**

- Commercial law
- Commercial litigation
- Administrative law
- Adjudicator

**Education:**

- MPA, Université de Moncton
- LLB, Université de Moncton
- BPE, Université de Moncton



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

“*The Commission functions as an independent regulatory agency and administrative tribunal, responsible for overseeing the securities industry in New Brunswick.*”

The following discussion and analysis provides a summary review of the operating results of the New Brunswick Securities Commission for the year ended 31 March 2009. This review should be read in conjunction with the financial statements and accompanying notes.

Readers should note that some assumptions, although reasonable at the date of publication, are not guarantees of future performance.

## OVERVIEW

The Commission is a corporation without share capital. It was established through the *Securities Act* of New Brunswick and began operations on 1 July 2004. The Commission functions as an independent regulatory agency and administrative tribunal, responsible for overseeing the securities industry in New Brunswick. As a provincial Crown corporation, we are exempt from income taxes. Our operations are funded through fees paid by securities market participants.

We maintain accounting and internal control systems to provide reasonable assurance that our financial information is complete, reliable and accurate, and that our assets are adequately protected. The Commission Members, in conjunction with the Audit Committee, have an oversight role regarding the integrity of the reported information. We budget to generate a surplus with a planned distribution of surplus operating funds to the Government of New Brunswick. The surplus generated in the fiscal period 2008-09 exceeded the budgeted amount.

## Revenues

Our revenues consist of:

- filing, registration and application fees paid by securities market participants;
- amounts collected from administrative penalties, disgorgement orders and settlements for breaches of the *Securities Act*, as well as associated cost recoveries; and
- investment income and miscellaneous charges.

We obtain revenues primarily from reporting issuers and registrants.

There were no changes to the fee schedule this year. Revenue increases from market participants during the year are a result of market activity and growth in the number of registrations. Almost all of our operational funding comes from fees paid by market participants. These fees amounted to approximately 96.4% of total revenue in the year (97.6% in the prior period) and relate primarily to capital raising activities and securities

trading in New Brunswick. There are several groups that contribute significantly to our revenue. Fees paid by mutual funds to distribute their securities in New Brunswick were about \$5.9 million or 52.6% of revenue, up from \$5.5 million in the prior period. In addition, fees paid by the six largest Canadian bank-owned investment firms for the registration renewal of their representatives and firms were about \$1.27 million or 11.3% of revenue, basically unchanged from \$1.22 million in the prior period.

## THE MUTUAL FUND INDUSTRY

Of the 4,287 reporting issuers in New Brunswick, approximately 2,797 or 65% of them are mutual fund issuers. Revenues generated by the mutual fund industry in the year included approximately: \$5.38 million from prospectus filings; \$476,500 from annual financial statements and annual information forms; and \$905,200 from MFDA members' registration fees. These fees totaled \$6.8 million or 61% of total fee revenues.

	Budget 2008-09 \$	Actual 2008-09 \$	Actual 2007-08 \$
Revenue	10,774,950	11,244,220	10,818,368
Expenses	5,172,400	5,095,168	4,371,032
Excess of revenue over expenses	5,602,550	6,149,052	6,447,336
Total assets		4,169,417	3,129,117
Total liabilities		2,202,661	741,031
Total funds' balance		1,966,756	2,388,086
Distributions to government		6,570,382	6,261,278

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

## ANALYSIS OF TOTAL REVENUE

Category	Description	2008-09 Amount \$	2008-09 % of Revenue Total	2007-08 Amount \$
Distribution fees	Paid by securities issuers when filing distribution documents	5,878,175	52.3	5,338,950
Registration fees	Paid by individuals and firms to register with the Commission to sell or advise on securities	3,035,500	27.0	2,987,800
Financial filing fees	Paid by public companies and trusts when filing annual financial statements and annual information forms	1,806,625	16.1	1,881,125
Exemptions and other orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements	74,700	0.7	289,450
Other fees	Paid by market participants for late filing and other miscellaneous fees	40,044	0.3	68,990
<b>Total fees</b>		<b>10,835,044</b>	<b>96.4</b>	<b>10,566,315</b>
Administrative penalties	Paid pursuant to a hearing panel ruling	238,000	2.1	51,100
Disgorged funds	Paid pursuant to a hearing panel ruling	25,090	0.2	-
Enforcement cost recoveries	Paid pursuant to a hearing panel ruling	34,000	0.3	3,750
Investment income	Earned on cash balances	84,846	0.8	146,320
Miscellaneous income	Primarily conference fees	27,240	0.2	50,883
<b>Total revenue</b>		<b>11,244,220</b>	<b>100.0</b>	<b>10,818,368</b>

## FEE REVENUE SENSITIVITY

Our fee revenues fluctuate with market activity. We are most dependent on fees paid by mutual funds to distribute securities. Mutual fund prospectus filings increased by 13% over the last fiscal year, from \$4.77 million in 2007-08 to \$5.38 million in 2008-09. We expect this revenue stream to remain stable during the next fiscal year, as active mutual funds are required to file a prospectus annually in order to continue distribution of their securities. We also rely heavily on fees paid by the six largest Canadian bank-owned investment firms to register their representatives and firms with us. Registration fees rose from \$1.22 million in 2007-08 to \$1.27 million in 2008-09, representing an increase of 3.4%.

Securities distribution fees for 2008-09 are showing an approximate 10.1% increase from 2007-08. This is largely due to an increase in the number of mutual fund prospectus filings and additional classes of securities offered by these funds. Our fee schedule commands an additional fee when mutual funds offer more than one class of security with their prospectus filing. Registration fees for 2008-09 are showing a 1.6% increase from 2007-08. This is primarily attributable to a commensurate growth in the number of registrants. It is now easier for them to register in multiple jurisdictions under the National Registration System.

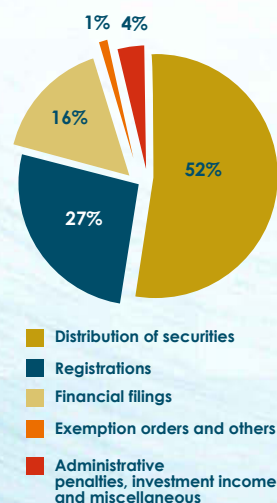
Financial filings for 2008-09 are showing a decrease of 4.0% from the prior year. Much of this decrease is attributable to decreased filings for material change reports, take over bid and a change in year end for several families of mutual funds. Revenue from exemptions and other orders for 2008-09 is showing a 74% decrease from the prior year.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

## Revenue Analysis



On 17 March 2009, Multilateral Instrument 11-102 Passport System was implemented nationally, except in Ontario. Under the Passport System, an issuer need only file an application with its principal regulator (and Ontario) instead of filing in all jurisdictions where it is seeking relief. This has resulted in a very large decrease in the number of filings from the previous year. It is probable that the amount received in 2008-09 approximates the amount that will be received each year going forward.

Receipts from administrative penalties are for the benefit of the Market Enhancement Reserve. As required by the *Securities Act*, these funds are to be spent only on endeavours or activities that enhance the capital markets in New Brunswick. Enforcement revenues, comprised of receipts of administrative penalties, disgorgement orders and administrative cost recoveries, are unpredictable. These revenues depend on the timing of enforcement actions completed during the year and on our ability to collect the assessed amounts. This source of revenue was up significantly during the year from \$54,850 in 2007-08 to \$297,090 in 2008-09. Several orders for administrative penalties, disgorgements or hearing costs were issued during the year (total of \$609,943); they have not been recognized as revenue as there is a reasonable probability that the total amount will be uncollectible. Receipts designated as cost recoveries are recognized as operating revenue.

We do not budget an amount for enforcement revenue so as to avoid the appearance of impropriety. During the 2008-09 year, there was \$57,030 in disbursements from the Market Enhancement Reserve. In general, our portfolio generates modest returns. We do not make speculative investments with our surplus funds and we

make periodic and orderly distributions to the Government of New Brunswick. Consequently, investment returns are generated from the bank balance at prime less 2% as part of our banking agreement.

Miscellaneous revenue relates primarily to delegate revenue for *Fullsail* Summit 2008, the capital market development conference that was held during 6 – 8 April 2008.

## OPERATING EXPENSES

We take our responsibility to manage our expenses over the fiscal year seriously. We do this by:

- preparing an annual budget and strategic plan that is approved by the Commission Members;
- translating the annual budget into monthly budgets;
- reporting actual versus budget amounts to management every month;

- providing a budget variance analysis each month to the Audit Committee or at each Commission meeting (a written report is sent to Commission Members on those months where no meeting is held);
- preparing quarterly financial forecasts for management and the Commission Members;
- requiring Commission Member approval of significant expenses or contracts; and
- continually improving our processes.

Our total expenses during the year were \$5,095,168, compared to a budget of \$5,172,400, a positive difference of \$77,232. This result was achieved despite a distortion that arises from our budgeting process. The Commission does not budget for enforcement revenue so as to avoid

Expense Category	Expenses \$	Budgeted Expenses \$	% of Total Expenses	% of Total Expenses Prior Year
Salaries and benefits	3,248,947	3,479,200	63.7	65.9
Administrative*	935,880	917,900	18.3	18.4
Market enhancement	57,030	44,500	1.1	0.6
Disgorged funds	25,090	-	0.5	-
Professional services	216,959	116,500	4.3	2.6
Travel	190,082	170,700	3.7	3.5
CSA initiatives	50,164	80,000	1.0	1.2
Premises	260,488	268,700	5.1	5.5
Amortization	110,528	94,900	2.3	2.3
<b>Total</b>	<b>5,095,168</b>	<b>5,172,400</b>	<b>100.0</b>	<b>100.0</b>

\* See Schedule 1 of the financial statements



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

negative perceptions. Consequently, we also do not budget for expenses that may result from enforcement revenue that is received. For instance, the Market Enhancement Reserve may fund initiatives that support the capital markets in New Brunswick with administrative penalty revenue. During the year, an additional \$37,620 of expenses was incurred based upon unbudgeted enforcement revenues. The most significant was a return of \$25,090 to New Brunswick investors as a result of an enforcement action.

The largest expense item, totaling \$3,248,947 or 63.8% of total expenses, was salaries and benefits. As a percentage of total expense, this ratio is lower than the 65.9% for the prior year. We had 31 staff on payroll at year end, compared to the 32 that were on payroll one year before. On an annualized or "person-year" payroll basis, we had 33.0 person-years of employment in 2008-09 versus 29.0 in 2007-08. A 2.5% cost of living adjustment was applied to the salary grid at the start of the fiscal period. We do not administer a performance-based incentive program.

Administration expenses were our second largest category at \$935,880 or 18.3% of total expenses, the percentage of which is marginally less than was incurred in the prior year. These expenses pertain to information technology, training, communication, printing, advertising, other general office expense items as well as expenses for the *Fullsail* conference. The *Invest in Knowing More* campaign was the largest expense for this category at \$232,775. These costs included the development and placement of television, radio, internet, print and billboard and bus shelter advertisements. *Fullsail* conference expenses incurred in the fiscal year were about \$180,000 while sponsorships, such as for

Junior Achievement and Breakthru totaled \$40,000. Information technology costs were \$118,508 during the period, and were used for network support, data security and back-up, website costs and software licenses.

This is the third year that we have transferred funds from the Market Enhancement Reserve towards eligible expenses that enhance the capital markets in New Brunswick. A contract was signed with the Saint John Volunteer Centre to provide presentations in both official languages for the ABC's of Fraud® campaign throughout the province. A total of \$57,030 was provided during the fiscal year. This campaign is expected to run for three years in total.

Disgorged funds correspond to a new expense category for the Commission and represent money that we have received from market participants arising from an enforcement action. This money may be turned over to specific investors that were financially harmed by those market participants. In this case, \$25,090 was expensed to be provided to eight investors.

Professional services expenses increased significantly year over year, rising from \$114,105 to \$216,959. A records management study was the largest expense item for this category (\$63,493), followed by translation costs (\$45,995). Other significant initiatives that had direct professional services expenses during the year were for the Commission's comments to the Government's proposal for tax reform, communications consultants, media monitoring, strategic planning and a report on co-investment funds.

Travel costs were \$190,082 or 3.7% of total expenses, a slight increase over the 3.5% incurred in the prior

period. With a higher staff complement, the aggregate travel cost increase year over year was \$37,355 or 24.5%. Travel was primarily related to attendance at policy and other regulatory meetings of partners of the Canadian Securities Administrators (CSA) and for training purposes.

Expenses for CSA initiatives were slightly lower at \$50,164 or 1.0% of total expenses, compared to \$51,357 incurred in 2007-08. These initiatives support Canada's national system of securities regulation through a cooperative approach with our provincial and territorial regulatory partners. CSA projects are coordinated through a permanent secretariat located in Montréal and operating costs are apportioned to CSA members based on a formula correlated to population. We pay about 2.2% of the total costs as our share.

Premise costs increased to \$260,488. This represents 5.1% of total expenses, down slightly from 5.5% the previous year. The increase in premise costs (\$19,398) was primarily attributable to additional lease space that was acquired in the year. Our office lease expires in February 2016. Amortization expenses increased from \$102,820 to \$110,528 year over year. Our largest depreciable asset involves our leasehold improvements, which are being amortized over ten years for the original space and about eight years for the additional space acquired in the year. This accounts for about 35% (\$39,052) of the total expense. Furniture, information technology hardware, information technology software and vehicle assets follow in descending order to make up the remainder of the amortization expense.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

## Market Enhancement Reserve

The Market Enhancement Reserve represents externally-restricted equity as its funding and purpose is defined by the *Securities Act*. The funds are to be used for endeavours or activities that enhance the capital markets in New Brunswick. The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In 2008-09, administrative penalties totaling \$238,000 were assessed and determined to be collectible, while the prior period collectible assessments totaled \$51,100. A further \$445,000 in administrative penalties was assessed in the year, but is not reflected on the financial statements as there is a reasonable probability that the amount will be uncollectible.

## DISPOSITION OF SURPLUS OPERATING FUNDS

We made total payments of \$6,570,382 to the Government of New Brunswick during the year. The payment amount is calculated annually and is included in our strategic business plan. The total contribution included a budgeted amount of \$5,250,000 as well as an additional \$1,320,382. The \$1,320,382 represents the balance of the general surplus as at 31 March 2008. The contribution is payable each year providing that doing so does not impair our ability to pay our liabilities, meet our obligations as they become due or fulfill our contractual commitments. Since we were established in July 2004, we have made contributions of \$28,146,255 to the Government of New Brunswick.

## LIQUIDITY AND FINANCIAL POSITION

We have sufficient liquidity to finance our operations and capital purchases. The net increase in cash prior to the disposition of surplus operating funds was \$7,510,892

during the fiscal year. Of that amount, \$6,570,382 was distributed to the Government of New Brunswick. The combined cash balance at year end was \$3,602,009. This includes amounts from the Commission's two reserves.

We maintain a Fee Stabilization Reserve. The maximum value of the reserve was increased by \$500,000 to \$1,500,000 during the fiscal period. The Fee Stabilization Reserve allows us to maintain an operating contingency to absorb revenue shortfalls or unexpected expenditures. We take revenue generated from the reserve into general operations. The reserve was fully-funded at year end.

## RISKS AND UNCERTAINTIES

### Operational and infrastructure risk

We are exposed to many types of operational risks, including the risk of fraud by employees or others, unauthorized transactions by employees and operational or human error. We also face the risk that computer or telecommunications systems could fail, despite our efforts to maintain these systems in good working order. Shortcomings or failures of our internal processes, employees or systems, including any of our financial, accounting or other data processing systems, could lead to financial loss and damage to our reputation. Our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which we do business.

We have policies and processes in place to manage and control these risks. Key components include:

- Commission Members operating as a Board of Directors who place a priority on sound corporate governance;
- an active and effective Audit Committee;

- an annual review of internal controls and legislative compliance;
- an annual review of risks facing the Commission;
- the adoption of a Risk Management Policy; and
- the effective communication of policies to staff and new Members on matters such as Conflict of Interest and Code of Conduct with various channels for reporting concerns.

### Reputation risk

We actively manage our reputation risk through our corporate governance practices, code of conduct and risk management framework. The activities of our communications staff and our General Counsel's office are key participants in managing our reputation risk.

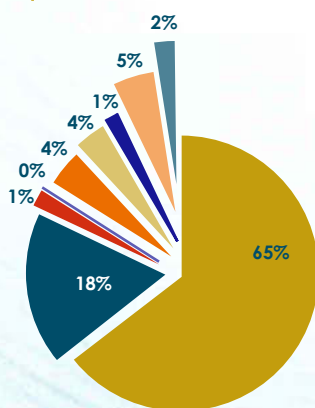
### People risk

As a knowledge-based entity, our ability to attract and retain people is critical to our success. We track a range of measures (e.g., turnover and compensation surveys) to manage this risk. Knowledge management is a key focus and we continue to pursue initiatives to improve our ability to retain corporate memory and to ensure effective knowledge transfer.

## SECURITIES REGULATORY REFORM Harmonization of securities laws and the Passport System

We continue to support the Government of New Brunswick's work to implement securities regulatory reforms outlined in the Provincial/Territorial Memorandum of Understanding Regarding Securities Regulation (MOU), signed on 30 September 2004 by all (except Ontario) of Canada's provincial ministers responsible for securities regulation. The MOU proposed a single window of access to capital markets in participating

Expense Analysis



- Salaries and benefits
- Administration
- Market Enhancement
- Disgorged funds
- Professional services
- Travel
- CSA initiatives
- Premises
- Amortization



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

jurisdictions and a review of regulatory fees. A key foundation to the MOU's success is a set of nationally harmonized regulatory requirements, consistently interpreted and applied throughout Canada. We have coordinated our work with the other Canadian securities regulators to adopt harmonized legislation.

A significant set of legislative amendments received Royal Assent on 30 May 2007. Since that time, specific sections have been proclaimed in conjunction with similar initiatives across the country. We have also adopted rules that support the MOU. Effective 19 September 2005, Multilateral Instrument 11-101 Principal Regulator System was approved in New Brunswick. This first phase materially affected our responsibilities as we became recognized as a principal jurisdiction under this instrument. This significantly increased our national role and responsibility for securities regulation.

The second phase was implemented with the adoption of Multilateral Instrument 11-102 Passport System on 17 March 2008 by all provincial and territorial Canadian jurisdictions, except Ontario. This instrument further enhanced the Principal Regulator System by enabling market participants to access the capital markets in multiple jurisdictions by filing prospectuses, to file continuous disclosure and exemptive relief applications with their principal regulator and to adhere to the requirements of one set of harmonized securities laws.

There is still significant ongoing effort associated with the MOU's implementation. We continue to work on Phase 3 of the Passport System. This will enable firms and persons who wish to advise or trade in securities to access clients in multiple jurisdictions by obtaining

approval from their principal regulator. Legislative amendments designed to harmonize and to support the adoption of Phase 3 received Royal Assent on 30 April 2008. It is expected that this phase of the Passport System will be implemented in the fall of 2009 when several rules are expected to come into force. At the present time, we have the requisite human resources to manage this initiative.

## The single regulator approach to securities regulation

There is continued effort underway by some entities to create a single, centralized federal securities regulator. Stated support for this initiative comes from the Government of Canada and the Government of Ontario. The disposition of this initiative is indeterminate at this time, and its formation poses risk to the Commission.

## FEE REVENUE

### Market conditions

We fund operations primarily from filing fees paid by market participants. Fee revenue is generally not that sensitive to market conditions, although there have been some market effects with the recent economic decline.

### Passport System

Phases 1 and 2 of the Passport System have not materially affected our operations to date, although it may ultimately change what we do and how we fund our operations. The most significant revenue impact to date has been exemptive relief applications, which have been reduced by about \$200,000 per year. The proposed changes to the registration system as a result of the Passport initiative and harmonization efforts are also expected to have some negative impact on registration revenue. The Commission is also cooperating with other jurisdictions

in order to harmonize fees. A new fee schedule is tentatively planned for 1 April 2010. This will result in changes to our fee rule as we attempt to simplify our fee schedule.

## NATIONAL ELECTRONIC FILING SYSTEMS

Under various agreements with the CSA, CDS Inc. (CDS) operates the following electronic systems:

- System for Electronic Document Analysis and Retrieval (SEDAR), an electronic system for securities market participants to file regulatory documents and pay fees;
- National Registration Database (NRD), an electronic system for registrants to register and pay fees; and
- System for Electronic Disclosure by Insiders (SEDI), an internet-based system for insiders to report their trades.

About 95% of our fee revenue is collected through SEDAR and NRD. Should CDS become unable or unwilling to continue to operate these systems, the CSA would have to contract with another party. This represents a revenue and regulatory risk as the systems facilitate effective and efficient regulatory processes. However, the CSA has a robust governance and management structure to manage this risk.

## RISK-BASED COMPLIANCE

In delivering on our mandate, we take a risk-based approach for many of our disclosure review and compliance activities. Our Regulatory Affairs division continues to enhance its risk-based screening procedures so that its review population receives meaningful assessment each year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

“*We have coordinated our work with the other Canadian securities regulators to adopt harmonized legislation.*”

Enforcement also uses a risk-based approach to ensure cases that are brought forward are fully investigated and that allegations made are firmly supported by the evidence. Enforcement policy and procedures are sought to be consistent with, or exceed, best practices in the industry.

### CRITICAL ACCOUNTING ESTIMATES

Management must make estimates and assumptions when preparing the financial statements. Management makes those assumptions based on experience and current conditions, and believes that they are reasonable. However, actual results may differ from management's estimates. In our financial statements, management has estimated the portion of accounts receivable that we will receive, the useful lives of our capital assets, and the value of employee leave liabilities.

#### Accounts receivable

We accrue amounts due when they meet generally accepted revenue recognition criteria. During the fiscal period 2008-09, a total of \$445,000 of administrative penalties, \$134,910 in disgorgement orders and \$30,033 in awarded costs were not recognized as revenue as the amounts appeared to be uncollectible.

#### Capital assets

We capitalize goods and services when their cost is greater than \$2,500 and their benefit extends beyond the current fiscal year. We amortize the cost of our capital assets over their expected useful lives. Our capital assets consist primarily of leasehold improvements, furniture and information technology. New information could lead us to reduce or eliminate an asset's value or expected useful life.

#### Employee liabilities

Our employees accrue vacation and other leave entitlements based on their years of service. We have estimated the value of employee leaves not yet taken based on our employee records and attributed benefit costs to those leaves based on our experience. The actual value of employee leaves taken will vary depending on their particular circumstances.

The most significant employee liability pertains to our retirement allowance benefit. This benefit is calculated for those employees with five or more years of service. It is only payable if an employee retires at the time he or she concludes employment with us. It is difficult, therefore, to estimate this liability with precision. We apply a discount factor of 3% for each year that the eligible employee is below the minimum retirement age of 55. Another area of significant estimate lies with the accrual for an enhanced pension benefit for our Chief Executive Officer (CEO). This benefit will be paid to the CEO during retirement. We rely upon the expertise of the Office of Human Resources for the Government of New Brunswick to determine this amount.

#### CHANGES IN ACCOUNTING POLICIES

Management is responsible for selecting the significant accounting policies and preparing the financial statements, including the accompanying notes, in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies and their applications have not changed. There were no new accounting or reporting standards introduced in 2008-09 that would materially impact our statements.

In February 2008, the Canadian Institute of Chartered Accountants confirmed that Canadian reporting issuers will be required to report under International Financial Reporting Standards (IFRS) effective 1 January 2011. Reporting issuers will be required to provide IFRS comparative information for the previous year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The change-over to IFRS applies to interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011. On that date in 2011, IFRS will replace current Canadian GAAP for Publicly Accountable Enterprises.

The Commission has established a project plan for implementing IFRS which includes determining:

- changes to accounting policies and implementation decisions;
- disclosure requirements;
- changes to information systems and accounting processes;
- changes to internal control over financial reporting and disclosure controls and procedures;
- training requirements; and
- external stakeholder communications.

The Commission implementation plan has not included, to date, a quantification of the effects of adopting IFRS. It is important to understand that the financial performance and financial position as disclosed in our current GAAP financial statements may be significantly different when presented in accordance with IFRS. The potential impacts on our financial statements from the

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal year ended 31 March 2009 | Dated 1 May 2009

adoption of IFRS will depend on accounting policy choices made by the Commission.

Our assessment to date has identified these areas for consideration and review; this list identifies the most significant items noted to date:

- IFRS 1 – provides entities with optional and mandatory exemptions upon initial implementation of the standards. The choices are being reviewed and the Commission will implement those determined to be most appropriate.
- Property, plant and equipment – International Accounting Standards (IAS) 16 requires an entity to present their assets broken down into their significant parts upon initial measurement as opposed to current Canadian GAAP which requires assets to be measured as a whole.
- Impairment of assets – IAS 36 uses a one step approach for both testing and measurement of impairment, with assets carrying values compared directly with the higher of fair value less costs to sell or value in use (which uses discounted cash flows). This may potentially result in more write-downs where carrying values of assets under Canadian GAAP were tested for impairment on an undiscounted cash flow basis.
- Liabilities and provisions – an assessment of our liabilities will be required as their measurement criteria and the definitions within IFRS in relation to liabilities vary from current Canadian GAAP.

◦ Our current information system provider is planning to provide full and complete upgrades for our current accounting system, and we anticipate that these upgrades will allow us to transition efficiently and effectively to IFRS.

◦ Our current internal control structure will require some changes. However, our structure appears adequate and will be effective during the implementation phase and continuing under IFRS. Further review will be completed throughout the entire implementation process.

In addition to the sections noted above, there are generally more extensive presentation and disclosure requirements under IFRS compared to Canadian GAAP. These will be noted in a future analysis and will result in additional data collection where required. Other impacts include the potential for increased volatility of reporting results, and potentially an increase in transparency and comparability.

### OUTLOOK

Budgeted revenue is \$10.72 million for the 2009-10 fiscal year. This represents a decrease of about \$520,000, or 4.7%, from 2008-09 actual revenue of \$11.24 million. This decrease is primarily the result of not budgeting for enforcement revenue, which totaled \$297,090 in 2008-09. The decline is also impacted by the proposed change in the registration regime.

Operating expenses are budgeted to be \$5.52 million for the 2009-10 fiscal year. This represents an increase of \$0.42 million over 2008-09 actual expenses. This increase is primarily attributable to salary and benefit increases. This reflects the budgeted addition of two

new staff, full year salary budgets for some positions which had partial vacancies in the prior year and step increases for staff within their pay bands. A 2.0% cost of living adjustment was also budgeted but was not granted.

The budgeted subsequent surplus for 2009-10 is about \$190,000, after the budgeted contribution of \$5.25 million to the Government of New Brunswick and a \$239,000 allocation from the Market Enhancement Reserve. The budgeted contribution is the same as the budgeted amount in the prior year.



## MANAGEMENT'S RESPONSIBILITY LETTER

### Management's responsibility for financial reporting

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Based on our knowledge, the financial statements and financial information contained in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the New Brunswick Securities Commission as at the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

The New Brunswick Securities Commission maintains an accounting system and related controls designed to provide the Commission with reasonable assurance that reliable financial information is available on a timely basis.

The Members of the Commission ensure that management fulfills its responsibility for financial information and internal control. The financial statements and annual report have been reviewed by the Audit Committee and approved by the Commission. The report of the Auditor General of New Brunswick, outlines the scope of the Auditor's examination and opinion on the financial statements.

*"original signed by"*

Donne W. Smith  
Chair and Chief Executive Officer

*"original signed by"*

Kenrick G. Hancox  
Executive Director

*"original signed by"*

Kevin Hoyt  
Director, Corporate Finance and Chief Financial Officer

1 May 2009

## AUDITOR GENERAL LETTER



Auditor General of New Brunswick

### AUDITOR'S REPORT

To the Chair and Members  
New Brunswick Securities Commission

I have audited the balance sheet of the New Brunswick Securities Commission as at 31 March 2009 and the statements of income, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
01 May 2009

## BALANCE SHEET

As at 31 March 2009

	2009	2008
<b>ASSETS</b>		
Current Assets		
Cash (Note 3)	\$ 1,851,396	\$ 1,593,795
Accounts receivable	39,874	37,496
Prepaid expenses	113,757	72,229
	2,005,027	1,703,520
Investments held for designated purposes (Note 3)	1,750,613	1,067,704
Capital assets (Note 5)	413,777	357,893
	\$ 4,169,417	\$ 3,129,117
<b>LIABILITIES AND FUND BALANCES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,532,817	\$ 186,742
Accrued salaries and benefits	143,092	124,908
Accrued benefit liabilities (Note 8)	179,431	-
Accrued vacation liabilities	29,635	36,890
	1,884,975	348,540
Accrued benefit liabilities (Note 8)	317,686	392,491
Total liabilities	\$ 2,202,661	\$ 741,031
Fund balances		
General	215,143	1,320,382
Fee stabilization reserve (Note 4)	1,500,000	1,000,000
Market enhancement reserve (Note 4)	215,613	67,704
	1,966,756	2,388,086
	\$ 4,169,417	\$ 3,129,117

The accompanying notes and schedules are part of these financial statements.

APPROVED BY THE COMMISSION

“original signed by”

Donne W. Smith  
Chair and Chief Executive Officer

“original signed by”

Kenneth Savage  
Chair, Audit Committee

## STATEMENT OF INCOME

For the year ended 31 March 2009

	2009	2008
<b>REVENUE</b>		
Fees		
Distribution of securities	\$ 5,878,175	\$ 5,338,950
Registrations	3,035,500	2,987,800
Financial filings	1,806,625	1,881,125
Exemptions and orders	74,700	289,450
Other	40,044	68,990
Administrative penalties and settlements	238,000	51,100
Disgorged funds	25,090	-
Enforcement cost recoveries	34,000	3,750
Investment income	84,846	146,320
Miscellaneous	27,240	50,883
	\$ 11,244,220	\$ 10,818,368
<b>EXPENSES</b>		
Salaries and benefits	\$ 3,248,947	\$ 2,879,363
Administration (Schedule 1)	935,880	802,570
Market enhancement (Schedule 2)	57,030	27,000
Disgorged funds	25,090	-
Professional services	216,959	114,105
Travel	190,082	152,727
Canadian Securities Administrators' initiatives	50,164	51,357
Premises	260,488	241,090
Amortization	110,528	102,820
	\$ 5,095,168	\$ 4,371,032
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 6,149,052	\$ 6,447,336



## STATEMENT OF FUND BALANCES

For the year ended 31 March 2009

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Disgorged funds	Total
Balance 31 March 2008	\$ 1,320,382	\$ 1,000,000	\$ 67,704	\$ -	\$ 2,388,086
Excess of revenue over expenses	6,149,052	-	-	-	6,149,052
Disposition of surplus operating funds (Note 6)	(6,570,382)	-	-	-	(6,570,382)
Investment income reallocation	(2,939)	-	2,939	-	-
Allocation (to) reserves (Note 4)	(763,090)	500,000	238,000	25,090	-
Allocation from reserves (Note 4)	82,120	-	(57,030)	(25,090)	-
Balance 31 March 2009	\$ 215,143	\$ 1,500,000	\$ 251,613	\$ -	\$ 1,966,756

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2009

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 6,149,052	\$ 6,447,336
Adjustment for amortization - capital assets	110,528	102,820
Accrued benefit liabilities	(74,805)	118,142
Gain on disposal of capital asset	-	(6,450)
	\$ 6,184,775	\$ 6,661,848
Changes in non-cash working capital		
Accounts receivable	(2,378)	11,494
Prepaid expenses	(41,528)	(34,151)
Accounts payable and accrued liabilities	1,346,074	(10,344)
Accrued salaries and benefits	18,184	42,526
Accrued vacation liabilities	(7,255)	133
Accrued benefit liabilities	179,431	-
	\$ 7,677,303	\$ 6,671,506
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Disposition of surplus operating funds	(6,570,382)	(6,261,278)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(166,411)	(61,279)
Proceeds on disposal of capital asset	-	13,500
	\$ (166,411)	\$ (47,779)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	940,510	362,449
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,661,499	2,299,050
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 3,602,009	\$ 2,661,499
<b>Represented by:</b>		
Cash	\$ 1,851,396	\$ 1,593,795
Investments held for designated purposes	1,750,613	1,067,704
	\$ 3,602,009	\$ 2,661,499

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

## 1. Nature of the Corporation

The New Brunswick Securities Commission is a Provincial Corporation operating under the *Securities Act* (New Brunswick) established on 1 July 2004. The business of the Commission is the regulation of the New Brunswick capital markets, including the administration of the *Securities Act*, the General Regulation and the New Brunswick Securities Commission rules.

The purpose of the Commission is to foster fair and efficient capital markets in New Brunswick and confidence in those markets, and to provide protection to investors from unfair, improper or fraudulent practices.

As a Crown corporation, the Commission is exempt from income taxes.

## 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Commission are as follows:

### (a) Revenue recognition

Fees are recognized when earned, which is normally upon receipt.

Recovery of the costs of investigations and administrative penalty revenue are recognized upon the date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

Investment income is recorded on the accrual basis.

### (b) Capital assets

Capital assets are recorded at cost and amortized using the straight line method starting in the year of acquisition over their estimated useful lives as follows:

Office furniture and equipment: 4 years  
Information technology infrastructure: 3 years  
Software: 4 years

Automobile: 4 years

Leasehold improvements: over term of lease

### (c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

### (d) Restricted cash

Consistent with sub-section 25(4) of the *Securities Act*, revenue received by the Commission from administrative penalties shall not be used for the normal operating expenditures of the Commission and must only be used for endeavours or activities that, in the opinion of the Commission, enhance the capital markets in New Brunswick.

### (e) Employee benefit plan

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

### (f) Financial instruments

The Commission's financial instruments consist of cash and restricted cash, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Commission's designation of such instruments. The standards require that all financial assets be classified as either held for trading, available-for-sale, held-to-maturity, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale financial assets that do not have quoted market prices in an active market.

The Commission's financial assets and financial liabilities are classified and measured as follows:

- I. Cash and restricted cash are classified as "held for trading". These financial assets, carried at fair value, are marked-to-market through net earnings each period end.
- II. Accounts receivable are classified as "loans and receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- III. Accounts payable and accrued liabilities and registration fees included in deferred revenue are classified as "other financial liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

### (g) Recently adopted accounting standards

#### Capital disclosures

In December 2006, the AcSB issued new accounting standards relating to capital disclosures. This additional disclosure will include quantitative and qualitative information regarding an entity's objectives, policies and processes for managing capital. This section is applicable for the Commission's fiscal year beginning 1 April 2008.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

The Commission's objective when it manages capital is to ensure it continues as a going concern in order to fulfill its mandate.

The Commission has established a fee stabilization reserve of \$1,500,000 to manage its capital risk. The Commission ensures that any payment of surplus funds will not impair the Commission's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

#### *Financial instruments and disclosures*

Effective 1 April 2008 the Commission adopted new AcSB handbook sections relating to financial instrument presentation and disclosure. These sections are intended to enhance the users' ability to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The Commission's objectives are to protect itself against various financial risks. These include credit risk, liquidity risk, interest rate risk and foreign exchange risk.

#### *Credit risk*

This risk is minimal since the majority of the Commission's revenue is received when due.

#### *Liquidity risk*

The Commission generates enough cash from operating activities to fund its operations and fulfill its obligations as they become due. The Commission has a fee stabilization reserve in place in the event that cash requirements exceed cash generated from operations.

Financial liabilities that are due within one year have been classified as current and presented as such on the balance sheet.

#### *Interest rate risk*

This risk is minimal since the Commission did not incur any interest bearing long term debt during the year. Cash deposits earn interest at a floating rate and this revenue is impacted by the current low short-term interest rates.

#### *Foreign exchange risk*

The Commission was not exposed to any significant foreign exchange risk since its operations are in Canada. From time to time, it receives payment and pays supplies in foreign currency.

#### **(h) New Canadian accounting standards effective in 2009 and beyond**

##### *Intangible assets*

In February 2008, the AcSB issued new accounting standards relating to goodwill and other intangible assets. This section is applicable for the Commission's fiscal year beginning 1 April 2009 and is not expected to have a material impact on the Commission's financial position and statement of income.

##### *International Financial Reporting Standards (IFRS)*

In February 2008, the AcSB confirmed that generally accepted accounting principles (GAAP) for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. In March 2008, the AcSB clearly identified the applicability of this conversion to Crown corporations and other government business enterprises. This definition includes the Commission. An AcSB exposure draft released in April 2008 provides further details of this conversion.

The conversion to IFRS will be required for the Commission, for interim and annual financial statements beginning on 1 April 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS. The Commission is currently evaluating the impact of the adoption of IFRS on its financial statements.

#### **3. Cash and investments held for designated purposes**

The Commission maintains two separate bank accounts. The first is comprised of the operating account and those monies attributable to the fee stabilization reserve and monies received from disgorgement orders. The second account is maintained for the market enhancement reserve. Under the terms of the Commission's banking agreement, both accounts earn interest at prime less 2% calculated daily.

#### **4. Reserves**

##### *Fee Stabilization Reserve*

The Commission has established a reserve consistent with sub-section 25(6) of the *Securities Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenue. The reserve is funded through charges to retained earnings. The maximum value of the reserve has been set at \$1,500,000.

##### *Market Enhancement Reserve*

The Commission collects administrative penalties under section 186 of the *Securities Act*. Consistent with sub-section 25(4) of the *Securities Act*, these amounts are not used for the normal operating expenditures of the Commission. Instead, they are used for endeavours or activities that enhance the capital markets in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the Commission and generate their own investment revenue.

##### *Disgorgement Reserve*

The Commission has the authority to issue disgorgement orders under section 184 of the *Securities Act*. Disgorgement orders permit the Commission to order that a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for the normal operating expenditures of the Commission and will generally be used to return funds to negatively impacted investors.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

## 5. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 144,930	\$ 99,906	\$ 45,024	\$ 24,175
Information technology infrastructure	96,951	82,681	14,270	25,184
Software	11,780	9,835	1,945	3,890
Automobile	34,086	17,042	17,044	25,565
Leasehold improvements	508,564	173,070	335,494	279,079
	\$ 796,311	\$ 382,534	\$ 413,777	\$ 357,893

## 6. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Province of New Brunswick subject to the approval of the Board of Management and consistent with sub-section 25(5) of the *Securities Act*.

## 7. Commitments and contingencies

Details of commitments to organizations outside the Commission and contingencies from guarantees and legal actions are set out below. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

### (a) Commitments

Commitments arising from contractual obligations associated primarily with the lease of the premises and minor rental of office equipment at 31 March 2009 amounted to \$1,718,624. The Commission entered into a ten-year lease for office space effective 15 February 2006. Under the terms of its lease agreements, the Commission will be required to make the following annual lease payments:

2009-2010	\$ 243,828
2010-2011	246,084
2011-2012	257,366
2012-2013	253,906
2013-2014	253,214
Thereafter	464,226
Total	\$ 1,718,624

### (b) Legal actions

The Commission is involved in various legal proceedings arising from its regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and, accordingly, an estimate of any contingent loss cannot be made. The Commission is not aware of any legal proceedings against it at the date of these financial statements.

## 8. Accrued benefit liabilities

The Commission has a retirement allowance program for employees with five or more years of continuous employment. This is available on retirement, death or lay-off. Each employee is entitled to receive five days of pay for each year of service up to a maximum of 125 days, plus an additional 20% of accumulated sick leave. In total, this benefit cannot exceed 166 days. This benefit cannot exceed 250 days for the Chief Executive Officer. The employee's rate of pay is used to calculate the allowance.

This benefit is calculated on those employees with five or more years of service and is represented at the aggregate amount with the application of a 3% discount factor for each year that the eligible employee is below the earliest possible retirement age of 55.

In addition, the Chief Executive Officer receives a supplemental pension benefit whereby supplemental pensionable service of one year (or part year) for each year of service as Chief Executive Officer to a maximum of five years is provided. This benefit is fully funded by the Commission.

## 9. Related party transactions

The Department of Justice and Consumer Affairs, a related party to the Commission, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Information technology services were provided, such as data storage, data back-up, data protection and support for the Commission. The Commission has an agreement whereby the Department of Justice and Consumer Affairs also provides support for the policy and regulatory responsibilities of the Commission.

The Commission expended \$122,736 (\$115,316 in 2008) during the reporting period on these services. As of 31 March 2009 an accounts payable of \$24,547 (\$22,911 in 2008) was owed to the Department of Justice and Consumer Affairs and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick also provides translation services to the Commission that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. In addition to this amount, a total of \$29,848 of translation services was provided without charge to the Commission. Total expenditures during the period were \$47,151 (\$41,547 in 2008). As of 31 March 2009 an accounts payable of \$7,427 (\$11,104 in 2008) was owed to the Translation Bureau for the Government of New Brunswick and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.



## SCHEDULES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

	2009	2008
<b>SCHEDULE 1</b>		
<b>ADMINISTRATION</b>		
Fostering capital markets	\$ 180,725	\$ 160,823
Investor protection and education	326,685	242,532
Members and staff development	146,692	113,148
Payment to Department of Justice and Consumer Affairs under Agreement	30,000	30,000
Information technology	118,508	118,822
Other administration	133,270	137,245
	<hr/>	<hr/>
	\$ 935,880	\$ 802,570

### SCHEDULE 2 MARKET ENHANCEMENT

Contribution for ABC's of Fraud®	\$ 57,030	\$ 27,000
	<hr/>	<hr/>
	\$ 57,030	\$ 27,000

Sharing ideas  
Challenging convention  
Owning the future

The New Brunswick Securities Commission promotes a strong environment to strengthen our entrepreneurial culture and increase provincial investments. Through initiatives such as the Fullsail Summit, we work with our stakeholders to foster the development of dynamic capital markets in New Brunswick.

1-866-933-2222  
www.nbsc-cvmnb.ca

Partager les idées  
Défier les conventions  
Assurer l'avenir

La Commission des valeurs mobilières du Nouveau-Brunswick favorise un environnement fort en vue de raffermir notre culture entrepreneuriale et d'accroître les investissements dans la province. Au moyen d'initiatives comme le Sommet pleines voiles, nous travaillons en collaboration avec les intervenants du milieu en vue de favoriser l'établissement de marchés financiers dynamiques au Nouveau-Brunswick.

1-866-933-2222  
www.nbsc-cvmnb.ca

NEW BRUNSWICK  
SECURITIES COMMISSION  
COMMISSION DES  
VALEURS MOBILIÈRES  
DU NOUVEAU-BRUNSWICK



## GLOSSARY

### Accredited investor

A person or organization, generally wealthy and experienced, judged suitable to undertake an investment without needing the protection of the registration and prospectus requirements of the *Securities Act*. For specific criteria see National Instrument 45-106 *Prospectus and Registration Exemptions* on our website at [www.nbsc-cvmb.ca](http://www.nbsc-cvmb.ca) under the Law and Policy section.

### Administrative penalty

A financial penalty imposed by the Commission on an individual or organization for breaches of the *Securities Act*. The legislation provides the Commission with the ability to levy an administrative penalty up to \$750,000.

### Angel investor

An individual that invests funds and personal expertise in a small and/or start-up business.

### COSRA (Council of Securities Regulators of the Americas)

COSRA provides a forum to coordinate securities regulation throughout North, South and Central America and the Caribbean and cooperate with regulators in an increasingly global environment.

### CSA (Canadian Securities Administrators)

CSA is a voluntary umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets.

### Capital markets

These markets bring together the providers and users of capital, the financial products, like stocks (equity capital) and bonds (debt capital) that make the transfer of capital possible, and the people and organizations that support the process.

### Cease-trade order

An order issued by the Commission to prohibit trading by an individual or organization or to stop trading in a specific security. Generally made on the basis that to continue to allow trading is contrary to the public interest.

### Compensation order

Compensation order obligates a person who has violated securities laws to return money to an investor. Once the order is issued, it can be easily filed with the Court of Queen's Bench and then becomes a judgement of that Court. The investor avoids the costs and delay of having to pursue a claim through the courts.

### Compliance review

A review of a market participant's records to ensure that the firm or individual is in compliance with all obligations under the *Securities Act*.

### Continuous disclosure

The legally-required information filed by reporting issuers about their company and its business.

### Costs

The obligation to pay costs associated with a proceeding under the *Securities Act*. The Commission may impose these on an individual or organization after a hearing or investigation.

### Debt capital

Loans derived from traditional institutions such as banks and, in some cases, investment firms.

### Disgorgement order

A disgorgement order forces a person or firm to surrender money obtained as a result of breaking securities law.

### Distribution

A first time offering of shares by an issuer, from treasury. Treasury shares are shares from a company's reserve (as opposed to shares bought on the market).

### Equity capital

A method of financing in which a company issues shares of its stock and receives money in return.

### Exemption

An exemption allows relief from certain requirements of securities regulations.

### Fullsail

The Commission's capital markets development initiative, the objective of which is to help bring economic wealth and independence to the province.

### General Regulation (Regulation 2044-66 under the Securities Act)

The regulation that falls under the New Brunswick *Securities Act*. It provides legal guidelines for Commission Members, management and staff.

### IIROC (Investment Industry Regulatory Organization of Canada)

IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. It was created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc.



## GLOSSARY

### **IOSCO** (*International Organization of Securities Commissions*)

IOSCO is an international association of securities regulators that was created in 1983. Its General Secretariat is based in Madrid, Spain. Its focus is on establishing standards, exchanging information and cooperation to enhance capital markets throughout the world.

**MFDA** (*Mutual Fund Dealers Association of Canada*)  
MFDA is the national self-regulatory organization for the distribution side of the Canadian mutual fund industry.

### **Market Enhancement Reserve**

Market Enhancement Reserve is a separately-maintained reserve whereby receipts from administrative penalties and settlements are held. As required by the *Securities Act*, these funds are spent only on endeavours or activities that enhance the capital markets in New Brunswick.

### **NASAA** (*North American Securities Administrators Association*)

NASAA is the oldest umbrella organization of securities regulators and provides a forum to coordinate securities regulation among North American regulators and cooperate in a number of areas including enforcement and education.

### **NRD** (*National Registration Database*)

A national web-based system that permits individuals to file applications for registration electronically.

### **Passport System**

A national securities system that has created a similar set of rules across the country, giving market participants a single point of entry into the Canadian capital markets.

### **Private equity**

Takes the form of privately-held shares. Unlike publicly-traded shares, they are usually held for long periods of time and the price of purchase or sale is determined through personal negotiation.

### **Prospectus**

A document that describes, in detail, material information about an issuer when it is offering securities to the public. Similarly, an offering memorandum is a prospectus-like document, but with less detail and used in private placements.

### **Public equity**

Equity capital invested in public issuers traded on a stock exchange such as the Toronto Stock Exchange.

### **SBITC** (*Small Business Investor Tax Credit*)

The SBITC is an investor tax credit of 30% provided by the government of New Brunswick.

### **SEDAR** (*System for Electronic Document Analysis and Retrieval*)

The electronic system for the filing and public dissemination of documents of reporting issuers in Canada.

### **SEDI** (*System for Electronic Disclosure by Insiders*)

The electronic system that facilitates the filing and public dissemination of “insider reports”.

### **SME** (*Small and Medium Enterprise*)

SMEs are usually characterised as companies with less than 100 employees. In New Brunswick, such firms employ up to 95% of the province’s work force.

### **Securities Act**

New Brunswick legislation that provides for the regulation of the securities industry in this province.

### **Sidecar financing**

Provides capital that “rides” or invests alongside an angel group. Traditionally, sidecar funds co-invest with angels after the angel have conducted the due diligence. Once angels have agreed to invest, the sidecar, matching or co-investment fund then follows and accepts the same terms and conditions. Sidecars may provide matching or provide a fraction of the funds invested by the angel.

### **Venture capital**

Funds made available for early-stage firms and small businesses with exceptional growth potential. Managerial and technical expertise is often also provided. Also called risk capital.

## PUBLICATIONS

*These publications are available on the Commission's website [www.nbsc-cvmb.ca](http://www.nbsc-cvmb.ca).*

### Capital Markets

Co-investment Funds – The Capital Markets Potential (October 2008)  
Response to the Select Committee on Tax Review (August 2008)  
Angel Report (July 2007)  
Guide to Capital Raising Exemptions  
TSX Venture Capital Pool Company Program (CPC Program)  
So you want to be an Angel? A guide to Angel Investing in Atlantic Canada

### Fullsail Reports

*Fullsail* Status Update (April 2009)  
*Fullsail* Summit Six Month Report (October 2008)  
*Fullsail* Summit - Event Summary (May 2008)  
*Fullsail* Status Report (January 2008)  
*Fullsail* Commitment Status Report (July 2007)  
Recommendation Performance Statistics (July 2007)  
*Fullsail*/ Self-Sufficiency Task Force: Areas of commonality (March 2007)  
Making the Commitment (March 2007)  
Funding our Future (January 2007)  
Roundtable on Fostering Capital Markets (2006)

### Investor Education

The Basics of Investing  
Working With a Financial Adviser  
Questions to Ask When Choosing a Financial Adviser  
Understanding Mutual Funds  
Protecting Your Money  
Investments at a Glance  
Investment Fraud on the Internet  
Investments 101 (Youth)  
Scams Target Adults Over 50  
"Boiler Rooms" Scams - Could You Be Vulnerable?  
Investment Planning Worksheet  
When Your Broker Calls; Take Notes!  
Investment Fraud Checklist  
The Alert Investor Series (Podcasts)  
Knowledge is Power (2007-2010 Education Strategy)  
Getting Help with Your Complaint

### Enforcement

CSA Enforcement Report 2008  
CSA Enforcement Report 2007