

NEW BRUNSWICK SECURITIES COMMISSION



PROTECTING INVESTORS | BUILDING CONFIDENCE | TAKING ACTION

2009 | 2010
ANNUAL REPORT

NEW BRUNSWICK
SECURITIES COMMISSION

COMMISSION DES
VALEURS MOBILIÈRES
DU NOUVEAU-BRUNSWICK



TRANSMITTAL LETTER

The Honourable Bernard LeBlanc
Minister of Justice and Consumer Affairs
Province of New Brunswick

Dear Minister LeBlanc,

I am pleased to submit the New Brunswick Securities Commission Annual Report to the Legislative Assembly of New Brunswick for the fiscal year 1 April 2009 to 31 March 2010.

The Annual Report outlines the results of the Commission's focused approach to executing its core business functions to achieve its mandate. It also provides financial statements and pertinent statistics.

Respectfully submitted,

“original signed by”

David G. Barry, Q.C.
Chair and Chief Executive Officer

ANNUAL REPORT 2009 | 2010

Published by:

New Brunswick Securities Commission
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Saint John, NB E2L 2J2 Canada
www.nbsc-cvmnb.ca

30 JUNE 2010

NEW BRUNSWICK
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Jason Alcorn, Julie Lewicki

CHAIR'S MESSAGE

“*The Commission exists to protect New Brunswick investors while ensuring that our capital markets thrive.*”



DAVID G. BARRY

After I assumed my role as Chair and CEO, in July 2009, much of my time has been devoted to familiarizing myself with the Commission and dealing with the proposal by the federal government to establish a single national securities regulator.

Our Commission is already part of a national regulatory structure established by unparalleled cooperation among the provinces and territories, and administered under the umbrella of the Canadian Securities Administrators (CSA). We also participate in the national Joint Forum of Financial Market Regulators which includes the securities, insurance and pension regulators. Its mandate is to coordinate the regulation of financial products and services throughout Canada.

Internationally, we are active members of the North American Securities Administrators Association and the Council of Securities Regulators of the Americas, and we keep informed of the work of the International Organization of Securities Commissions through the CSA. This involvement provides us with the global perspective now so important in securities and financial services regulation.

The Commission exists to protect New Brunswick investors while ensuring that our capital markets thrive. The challenge for us, as a securities regulator, is finding the right balance between investor protection and fostering capital markets. Simply put, however, efforts to protect investors, although paramount, should not unduly limit access to capital, and thus discourage business growth. Working with our regulatory partners serves us well in meeting our obligations to investors and market participants, and in fostering our capital markets.

As I took office, the long standing proposal for a single securities regulator for Canada moved forward with the establishment of the Canadian Securities Transition Office (CSTO) by the federal government. Most provinces and territories, including New Brunswick (with the exception of Quebec, Alberta and Manitoba), agreed to participate without committing to the results of the process. New Brunswick placed a nominee on the Advisory Committee and we participate on a Regulators Committee. The federal government has tabled the legislation and referred to the Supreme Court of Canada to determine if it has jurisdiction in securities regulation.

The concerns of the provinces and territories, whether participating or not, are similar – the development of their capital markets, local enforcement and service delivery, meaningful involvement in governance, and for some, revenue loss. The existing CSA framework addresses these concerns and accordingly, most prefer to build on the work of the CSA, not dismantle it.

The initial push for a single securities regulator came principally from the securities industry because of what was felt to be inefficiencies in having to deal with thirteen regulators. Its principal concerns have been met by unprecedented cooperation among the provinces and territories to harmonize securities laws and implement a “one-stop” regulatory system that streamlines access to the Canadian capital markets and provides a nationwide registration regime for market participants. This system allows each jurisdiction to continue to have its own policies for capital markets development and investor protection.

The renewed impetus comes from the federal government wanting to have a voice in securities regulation and using the recent financial crisis as the catalyst for it to get involved in an area that is provincial jurisdiction.

The decision whether we embrace a national regulator is for the provincial government to make. Notwithstanding this federal initiative we remain committed to our mandate. While this process continues we must continue to regulate.

This Annual Report documents how we accomplish our mandate. It describes in more detail our involvement with the CSA and summarizes our local initiatives in enforcement, education and capital markets development.

We have a team of professionals who understand and care about their obligations and who have demonstrated sensitivity to New Brunswick's needs. We also have dedicated Commission Members and Supplementary Members with diverse backgrounds who understand New Brunswick and their responsibilities and carry them out effectively.

I extend my sincere thanks to Commission staff and Members who have been patient and cooperative during my initial year at the Commission. They continue to demonstrate an admirable commitment to the people of New Brunswick.

“original signed by”

David G. Barry, Q.C.
Chair and Chief Executive Officer

STRATEGIC DIRECTION AND STRATEGIC IMPERATIVES

| VISION

A confident and dynamic investment environment bringing economic wealth and independence to New Brunswick.

| MANDATE

Provide protection to investors from unfair, improper or fraudulent practices; and foster fair, efficient capital markets and confidence in those markets.

| 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.

| STRATEGIC IMPERATIVES

To advance the interests of local New Brunswick investors by:

- Understanding the issues and challenges faced by these investors;
- Recognizing our existing core business must serve the interests of these investors;
- Focusing educational campaigns on these investors' rights and responsibilities;
- Maintaining an enforcement orientation responsive to these investors;
- Advancing the interests of these investors in our work with our regulatory partners, such as the CSA; and
- Engaging self-regulatory organizations and investment industry associations to ensure their accountability in serving these investors.

To support the development of New Brunswick capital markets by:

- Continuing research and consultation on capital markets issues;
- Recognizing our existing core business must serve New Brunswick's issuers and markets;
- Enhancing access to capital through education and capital markets infrastructure development;
- Providing credible, knowledgeable advice on securities-related issues to policy makers and program developers; and
- Advancing the interests of local issuers and capital markets participants.

To strengthen our relationships and influence with key stakeholders to better achieve our mandate by:

- Engaging more effectively with key stakeholders to further areas of mutual interest and opportunity;
- Partnering with key stakeholders on initiatives that help advance our core business; and
- Promoting and using the expertise of our staff and Members.

EXECUTIVE DIRECTOR'S MESSAGE

“Investors want confidence that their investments are safe, in the right place and meeting their investment goals.”



RICK HANCOX

This past year was one of economic instability and market uncertainty. It emphasized the importance of the work we do to protect investors and develop New Brunswick's capital markets.

The reality of today's economy increased investor concerns in two obvious areas. Investors want confidence that their investments are safe, in the right place and meeting their investment goals. As well, they don't want to lose their money to fraudulent schemes.

Providing education about investing is a critical component of arming investors with the knowledge they need to address these concerns. But raising awareness by itself is not enough. The recent Canadian Securities Administrators (CSA) Investor Index confirmed that New Brunswickers know what they should be doing, but they are not taking action on that knowledge. So our challenge was not just to provide information, but also make it easy for investors to access, use and implement. We broadened our reach, offered new delivery mechanisms and gave investors the tools they need to “Take Action”.

Our programs covered the spectrum of investor education - from *Financial Fitness Challenge* for youth; *Make It Count* financial literacy tools for parents and teachers; to the basics of how to check if your financial adviser is registered and what kinds of questions to ask when working with your adviser.

Our *Invest in Knowing More*TM (IKM) investor protection awareness campaign is our most visible means for educating New Brunswickers about how to recognize investment fraud and what to do about it. We rely on New Brunswickers reporting potential investment fraud or wrongdoing so that we can take action against those who violate securities laws. We are seeing tangible evidence that IKM is not only educating investors about the reality of fraud, but also changing their reporting behaviour.

Our compliance programs and enforcement actions continue to focus on ensuring that the requirements of the *Securities Act* are respected and that investors can have confidence in New Brunswick's markets. Our proactive measures and cooperative approach to regulating the securities industry work to create a culture of compliance amongst New Brunswick market participants.

Raising or accessing capital in a tumultuous market is a real challenge for emerging or established businesses. This is why our ongoing capital markets development initiatives are so relevant.

Our 2009 *Fullsail*TM Summit, held in Fredericton in May, focused on how business could advance during tough economic times. In addition, we undertook a number of research projects to help us understand the make-up of our markets. We, in conjunction with a number of interested stakeholders, developed a “sidecar” co-investment fund proposal to help leverage investment funding for business. We saw changes implemented that enhanced the Small Business Investor Tax Credit (SBITC) program, and we witnessed the start-up of New Brunswick's first Capital Pool Company in response to an initiative we launched in 2005-06.

*Learning the Ropes*TM, our capital markets education program, held a record number of sessions throughout the province. We brought in speakers to cover topics related to accessing capital, such as how to use the SBITC program and the Canadian National Stock Exchange.

We continued to improve the regulatory framework in New Brunswick by working closely with our regulatory partners in the CSA. Securities regulators introduced registration reform in Canada. This implemented common categories and qualifications across the country for the registration of dealers and advisers in the investment industry. This initiative, along with a number of others, resulted in the elimination of a number of the fees that registrants used to pay.

It is a constant challenge to stay ahead of developments in the securities realm, whether it is a comprehensive knowledge of new financial products or the latest scams. Our active involvement in national and international associations keeps us attuned to what is happening outside our borders and on top of trends likely to reach our shores.

In addition to meeting our legislated mandate, we also make an annual contribution to the government's Consolidated Fund. In 2009-10, our contribution was \$5.5 million for a total of \$33.6 million since our inception in 2004.

In July, we welcomed David Barry as the new Chair and CEO of our competent, skilled, innovative organization. I attribute our success to our passionate staff. Through their work they have demonstrated a strong commitment and dedication to the people of New Brunswick. I am proud of this team and the reputation they have built.

“original signed by”

Kenrick G. Hancox
Executive Director

CORPORATE PROFILE

A RESPONSIVE AND EFFECTIVE REGULATOR SERVING NEW BRUNSWICK

The New Brunswick Securities Commission (NBSC) is an independent, self-funded Crown corporation that administers and enforces the New Brunswick *Securities Act*. We protect investors and promote the development of capital markets by executing our core business functions:

- We **make rules** that govern the securities markets to support vibrant capital markets and to provide effective investor protection.
- We **administer** a rigorous registration system for those who sell and provide advice on securities. This helps achieve **compliance** with the rules in order to protect investors from registrant misconduct.
- We **enforce** the *Securities Act* and take action against those who do not comply with the rules. We can impose sanctions, including financial penalties on individuals and companies to prevent harm and deter further fraudulent or inappropriate activity.
- We focus our **education** efforts on informing investors about the investing process and how to recognize, avoid and report investment fraud.
- We foster the development and growth of the **capital markets** to contribute to New Brunswick's economic well-being.

We recognize that our efforts must be focused on New Brunswick investors and we take steps to understand the issues and challenges they face. We are responsive to their complaints; we tailor educational activities and promotional campaigns with their needs in mind; and we advance their interests when working with capital markets stakeholders and regulatory partners.

We are accountable to New Brunswickers. Our operations and financial policies support this commitment; we provide proactive, efficient, timely and responsive service to our stakeholders; we follow best standards in our governance practices; and we hold staff and Members to the highest ethical standards.

We are led by a board of directors made up of five part-time Members and a full-time Chair and CEO. Our Members oversee the management of the Commission, make rules and recommend changes to the *Securities Act*, and act as a tribunal for enforcement hearings and other matters under the Act.

We also have highly specialized staff that develop, uphold and enforce securities regulation to protect investors. Our staff includes lawyers, accountants, investigators, policy experts and specialists in the fields of securities law and administration, finance, education, communications and capital markets development.

A YEAR IN REVIEW

| ENFORCEMENT

- Illegal distributions and registrant misconduct were the main focus of investigations
- The majority of complaints received were regarding individuals or companies offering securities they were not registered to sell in New Brunswick
- Ordered **\$177,500** in administrative penalties and **\$3,000** in costs and returned **\$12,000** to investors from funds available for this purpose
- Issued **13** cease-trade orders on **50** parties
- Panels of the Commission held **14** hearings

| REGULATION & COMPLIANCE

- **10** compliance reviews of registrants were undertaken
- A new local derivatives rule was implemented
- **26** new dealer and adviser firms were registered
- **135** exemption applications were submitted and **313** reports of exempt distribution were filed

| INVESTOR EDUCATION

- The CSA 2009 Investor Index found that telephone fraud accounts for approximately **40%** of attempted fraud in the province, the highest when compared to any other jurisdiction in Canada
- An independent survey indicated that **71%** of respondents would be more likely to report a phone call or email to the authorities as a result of seeing or hearing an NBSC advertisement

- We saw a direct link between our communication and education efforts and the call level on our toll-free telephone line
- We co-hosted **7** public sessions about investing basics and fraud prevention with **5** New Brunswick public libraries and over **120** total participants
- We cooperated with the Saint John Boys & Girls Club to include the *Make it Count* program in its youth initiative

| CAPITAL MARKETS DEVELOPMENT

- The 2009 *Fullsail* Summit featured insights and discussion from renowned world experts including Peter Schiff, Rahaf Harfoush and John Ibbison
- We commissioned a capital markets study to identify a baseline for our initiatives in capital markets development
- We offered **11** *Learning the Ropes* educational sessions entitled “Grow your business without growing debt” with **143** participants in **9** locations throughout the province
- We published **2** Making Headway newsletters for New Brunswick capital markets stakeholders

A YEAR IN REVIEW

STATISTICS AT A GLANCE

	2009-10	2008-09	2007-08	2006-07
ENFORCEMENT ACTIVITY				
Complaints received ¹	60	41	81	71
New files from other sources (referrals, surveillance, etc.)	24	-	-	-
Requests for assistance from other regulators	5	-	-	-
New matters	89	53	35	29
Matters concluded	83	43	20	22
Average length of matters (in days)	130	114	88	160
Interim cease-trade orders	4 (13 parties)	5 (19 parties)	4 (24 parties)	13
Cease-trade orders	3 (9 parties)	4 (11 parties)	4 (4 parties)	5
Recognition cease-trade orders	6 (28 parties)	4	1	-
Settlements approved	2	5	5	2
Hearing days (excludes hearings on requests for investigative orders)	14	20	16	24
Costs levied	\$3,000	\$64,033	\$29,000	\$5,000
Costs recovered	\$1,000	\$34,000	\$3,750	\$0
Administrative penalties levied	\$177,500	\$683,000	\$401,100	\$55,000
Administrative penalties recovered	\$7,500	\$238,000	\$51,100	\$10,000
Funds ordered to be returned to investors	-	\$160,000	-	-
Funds recovered to be returned to investors	\$12,000	\$25,090	-	-
Funds paid out to investors	\$14,000	\$23,090	-	-
CORPORATE FINANCE ACTIVITY				
Reporting issuers	4053	4011 ²	3937	3568
Reporting issuers (New Brunswick-based)	9	7	7	6
Prospectus filings (non-mutual funds)	578	352	507	532
Mutual fund prospectus filings	210	224	225	213
Annual information forms	1250	1152 ²	1299	926
Exempt distribution reports	313	291	264	265
Exemption applications (non-Passport)	135	218	442	604
Cease-trade order	1	1	-	-
Management cease-trade order	-	1	-	-
REGISTRATION ACTIVITY				
Registered firms	296	283	282	261
Registered firms (New Brunswick head office)	7	7	7	7
Branches/sub-branches in New Brunswick	535	551	541	496
Registered individuals	7848	7555	7349	7012
Registered individuals (New Brunswick residence)	1707	1809	1681	1602

¹ New reporting scheme implemented in 2009 | ² Restated

REPORT ON OUR STRATEGIC PRIORITIES

“Objective: To increase awareness of the NBSC as the place to report from the baseline of 24 per cent to 45 per cent over three years.”

RAISING AWARENESS

Investment fraud happens in New Brunswick. In fact, almost four in every ten New Brunswickers (37 per cent) have been approached with a fraudulent investment offer according to the Canadian Securities Administrators (CSA) 2009 Investor Index. Our communication efforts in 2009-10 focused on raising awareness of the seriousness and reality of investment fraud. We emphasized that we are the place to call when New Brunswickers are solicited with a suspicious investment opportunity or become aware of potential securities law violations.

For the last four years we produced a province-wide investor protection awareness campaign called *Invest in Knowing More™* (IKM). This multi-media advertising campaign, which featured the catchphrase “Stop Investment Fraud”, focused on raising awareness of attempted fraud by telephone and email. The IKM campaign message was developed based on the nature of complaints received and enforcement matters handled.

Our approach was consistent with the results of the CSA 2007 Investor Study and the 2009 Investor Index. The CSA 2009 Investor Index reported that telephone fraud accounts for approximately 40 per cent of attempted fraud in the province, the highest percentage when compared to any other jurisdiction in Canada (national average is 28 per cent).

We ran the same creative concept as 2008-09 in fall 2009 and in winter 2010 for periods of about six weeks. The 2009-10 campaign was targeted with advertisements on television, in print, and on billboards and bus shelters.

The measureable objective established for the campaign was to increase awareness of the NBSC as the place to report investment fraud from a baseline of 24 per cent (in 2008) to 45 per cent over three years. The national average for awareness of a securities regulator as the place to report investment fraud is 45 per cent. A survey completed following the winter 2009 IKM campaign (“IKM Survey”) revealed that awareness had increased to 30 per cent.



The television advertisement showed a middle aged woman, named Doris, being solicited by James to buy investments over the telephone. James is portrayed as a con-artist. The con-artist's thoughts appear on the screen to enlighten audiences about what he really means when he offers Doris a way to get back her recent stock market losses.

RAISING AWARENESS

The 2009 IKM Survey also indicated that the campaign encouraged New Brunswickers to report suspected investment fraud. Almost three quarters (71 per cent) of respondents indicated that they would be more likely to report a telephone call or email to the authorities as a result of seeing or hearing an NBSC advertisement. We are optimistic about this result considering other surveys suggest that there was a very low percentage of New Brunswickers who actually reported investment fraud.

However, many respondents to the survey did not recognize the NBSC as the place to report securities fraud. When asked where they would likely report a suspicious call or email, the most common response was law enforcement agencies. In response, we developed and ran a 15 second advertisement to complement the 30 second spot. The additional spot emphasized NBSC as the place to call to report suspected investment fraud.

During Fraud Prevention Month in March 2009, we sent direct mail for the first time. Over 100,000 postcards were sent to select communities in the province featuring the message “Answering the telephone could cost you your life savings. Calling us could save it.”

The results of the postcard campaign were tabulated during the 2009-10 fiscal year. The campaign generated a significant increase in calls to our toll-free telephone line. Many of the calls reported other types of fraud, not necessarily investment fraud. However, we believe that those who called, based on the nature of their questions, were vulnerable to becoming a victim of investment fraud. These calls gave us an opportunity to explain what we do and discuss the nature of investment fraud. We referred all calls to appropriate agencies or to our enforcement team. In total, from 30 March to 15 April 2009, we received over 100 phone calls as a direct result of the postcard campaign.

In addition to our IKM campaign, we executed a Fraud Prevention Month media strategy in March 2010, which included public service announcements and advertisements published throughout the province in community-based newspapers and bi-weekly publications.

We also used public events to raise awareness of investment fraud. We developed a series of presentations, delivered in various libraries throughout the province and coordinated a fraud prevention exhibit. The exhibit, called a Scam Jam, was held at a Saint John shopping centre with ten other agencies; each offered information about fraud prevention.

“... telephone fraud accounts for approximately 40 per cent of attempted fraud in the province, the highest percentage when compared to any other jurisdiction in Canada.”



The 2009 *Invest in Knowing More* campaign was given honourable mention in the Investor Education Award category by The Investment Funds Institute of Canada at the Canadian Investment Awards Gala.

REPORT ON OUR STRATEGIC PRIORITIES

“Objective: To deal with all enforcement matters in an appropriate and timely manner and take action against those who violate securities laws.”

PROTECTING NEW BRUNSWICK INVESTORS

We protect New Brunswickers from unfair, improper or fraudulent practices by preventing and deterring deceptive or inappropriate activity. Our objective is to deal with all enforcement matters in an appropriate and timely manner and take action against those who violate securities laws.

Our challenge is to be more proactive given the types of securities violations prevalent in the province. Being able to detect potential scams as they begin enables us to alert investors in advance and help prevent them from losing their money.

Our research and the complaints received demonstrate that the Internet has become the predominant mechanism for scam artists to use in perpetrating securities fraud. In 2009-10, we increased our efforts by developing an Internet surveillance tool.

There are about 20,000 new websites created every day. The surveillance tool, developed internally, identifies potentially fraudulent investment websites. The alerts generated using this tool led to the opening of 18 enforcement files and resulted in eight referrals to other jurisdictions.

We undertook various measures to communicate proactively with the public so that they were aware of companies or individuals that are threats. We issued seven Investor Alerts and published ten news releases on enforcement-related matters.

Our online Caution List was enhanced by adding a feature permitting users to sort the list by name, jurisdiction or date. We added 18 new entities to our Caution List, 14 of which were generated by alerts from the Internet surveillance tool.

Investor Alerts: Issued if we become aware of a particular company or individual that may be a threat to New Brunswick investors. Investor Alerts are published as a news release. It provides a brief description of the investment offered and action taken in New Brunswick or in other jurisdictions.

Caution List: An online list of individuals and firms identified by our enforcement division staff to be a potential securities-related threat to New Brunswickers.

COLLABORATIVE APPROACH

We worked diligently with other organizations including securities regulators, law enforcement agencies and Self-Regulatory Organizations (SROs) in Canada and around the world to help prevent investors from becoming victims of improper or fraudulent securities practices.

In December 2009, we hosted a White Collar Crime Symposium which provided an opportunity for law enforcement and regulatory agencies to exchange information about recent developments in investigating and prosecuting white collar crime. This type of crime involves securities fraud, theft from employers, forgery, conspiracy, tax evasion and identity theft, among other offences.

The regulation of New Brunswick's capital markets is integrated into the larger Canadian market. We monitor the global regulatory system through our memberships in national and international regulatory bodies. Our association and cooperation with the Canadian Securities Administrators (CSA), North American Securities Administrators Association (NASAA) and the Council of Securities Regulators of the Americas (COSRA) is an integral part of meeting our investor protection mandate. With global outreach, we continue to best serve and protect the interests of our investors and capital markets participants, here at home.

This collaborative and proactive approach resulted in six orders recognizing decisions rendered in other jurisdictions and in other Canadian jurisdictions recognizing two of our orders. We also made 12 referrals to international jurisdictions.

PROCEEDINGS

We opened 111 new enforcement files based on information from internal and external sources. Internal sources included referrals from compliance staff and in-house surveillance measures. External sources included complaints from the public, referrals from other securities regulators, SROs and law enforcement agencies.

PROTECTING NEW BRUNSWICK INVESTORS

Complaints received from the public related mostly to individuals or companies offering suspected illegal distributions, including selling or promoting securities without being registered or not providing the required disclosure. New Brunswickers were most often offered suspicious investments in gold, oil and gas exploration ventures, foreign exchange (Forex) and real estate development. They were usually solicited by telephone, email or through the Internet.

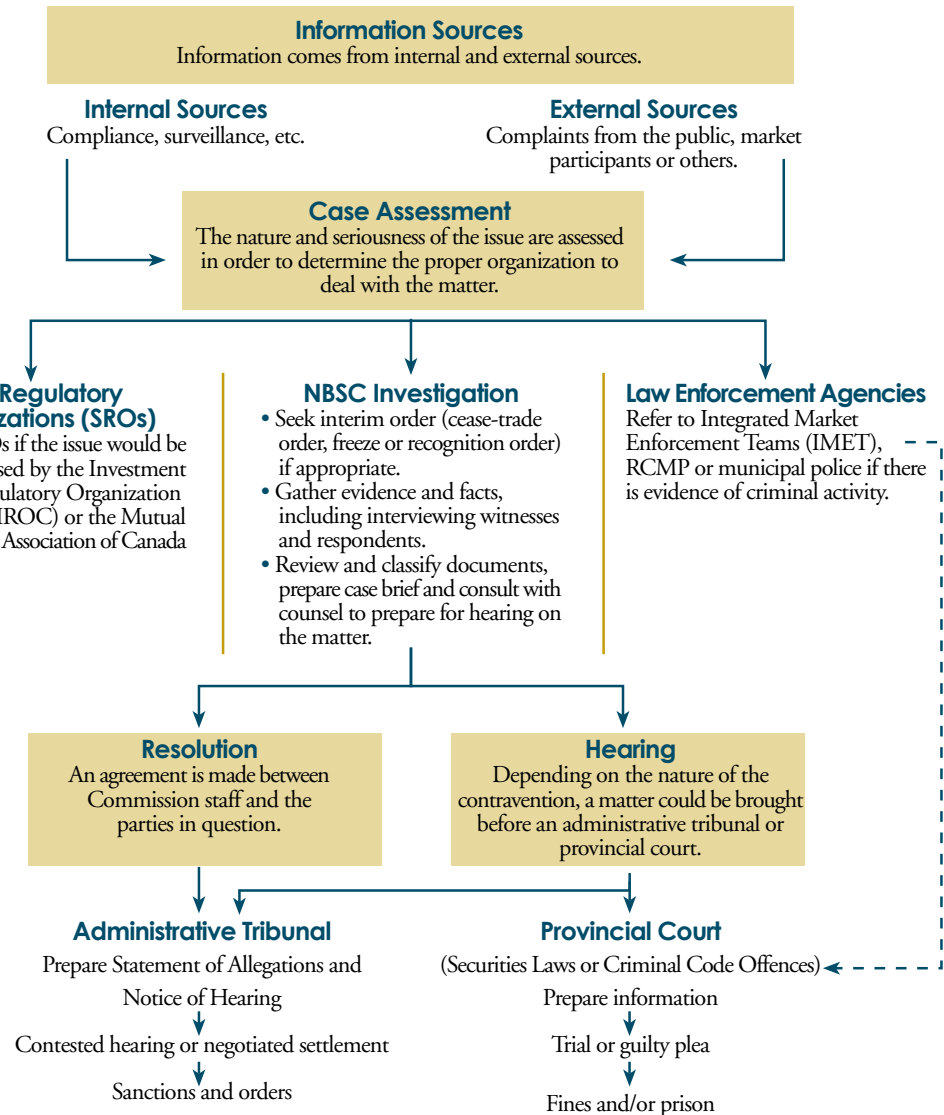
Investors also reported potential misconduct by registrants. This included complaints that insufficient information was provided to them by their adviser or that there was an inconsistency between what the investor thought they were buying and what they actually bought. There were also some complaints about potential misuse of leveraging an investor's other assets (such as their home) for investment purposes.

All complaints received in 2009-10 were assessed to determine potential violations of securities laws. We pursued those requiring investigation. Complaints that were not securities-related were referred to the appropriate agency.

We pursued 89 alleged breaches of securities laws and used our authority as an administrative tribunal to issue 17 orders to protect the public and to achieve compliance with the regulations. Our actions resulted in orders for \$177,500 in financial penalties and \$3,000 in costs. These orders limited the ability of 20 individuals and 12 companies to operate in our provincial capital markets.

Self-Regulatory Organizations (SROs): regulate and review the practices of their members in their sector of the securities industry.

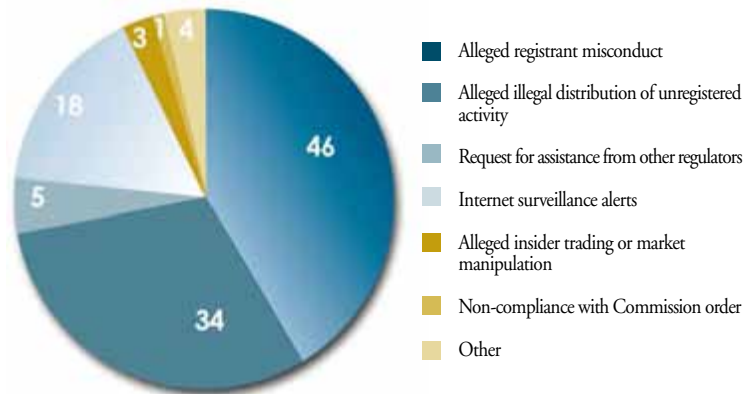
Enforcement Process Chart



REPORT ON OUR STRATEGIC PRIORITIES

“New Brunswickers were most often offered suspicious investments in gold, oil and gas exploration ventures, foreign exchange (Forex) and real estate development.”

Number of New Files Opened by Type (Fiscal Year 2009-10)
Total: 111



List of Matters	No. of individuals	No. of firms	Matters active at beginning of F2010	Proceedings commenced during F2010	Matters concluded during F2010	Matters active at end of F2010
CTIC et al.	1	2	X			X
Emond et al.	4	-		X		X
Intercontinental et al.	2	1		X	X	
Cody & Nason	2	-	X		X	
Assante	-	1		X	X	
Adams	1	-	X		X	
Murray	1	-		X	X	
Oil International et al.	2	3		X	X	
Shire International et al.	1	4		X	X	
Helmig et al.	2	-		X	X	
Landbankers et al.	9	3		X	X	
Briand Harrison	2	1		X		X
Locate et al.	-	2	X			X
Sellars	1	1		X		X

CASE SUMMARIES

The following is a summary of cases that were brought before or concluded by a Commission panel in 2009-10. The case summaries illustrate the nature of alleged or actual securities violations that we dealt with and sanctions that were ordered by the tribunal when applicable.

Illegal Distributions

Groupe Financier CTIC et al. (Proceeding Commenced)

An investigation by staff revealed that Groupe Financier CTIC (CTIC), a related company, CITCAP Groupe Financier Inc. (CITCAP), and the principal of both companies, Patrick Gauthier, all based in Quebec, appeared not to have complied with disclosure and registration requirements under the *Securities Act*. Staff have alleged that the respondents appeared not to meet the criteria for exemptions with respect to sales of securities to New Brunswick residents.

Staff have also alleged that in 2006, 2007 and 2008, CTIC securities were sold on 109 separate occasions to 63 individuals, raising more than \$5.7 million in New Brunswick. The investors were primarily from Edmundston and Grand Falls, and to a lesser extent, from the Acadian Peninsula, Moncton, Saint John and Fredericton.

In April 2009, a Commission panel issued an order upon the consent of the parties that denied CTIC and CITCAP the ability to use any exemptions under New Brunswick securities laws. This order was followed in May 2009 by an order from Quebec's securities regulator, l'Autorité des marchés financiers, freezing the Quebec assets of CTIC and CITCAP. In July 2009, CTIC and CITCAP began bankruptcy proceedings.

The initial bankruptcy trustee has indicated that money received from investors was being used to pay other investors. Staff believe that the CTIC and CITCAP distribution showed signs of a Ponzi scheme. The matter, which is still under investigation, was estimated to be in the range of \$15 million. Our early involvement and working with the Quebec regulator resulted in seizing more than \$4 million, which is being held by the bankruptcy trustee pending resolution of this matter. Our investigation into the New Brunswick activities surrounding CTIC and CITCAP is on-going.

PROTECTING NEW BRUNSWICK INVESTORS

Emond et al. (Proceeding Commenced)

In August 2009, staff filed a motion against four New Brunswick salespersons involved in the promotion of an alleged illegal distribution of securities issued by CTIC and CITCAP. Staff claim that the trading practices of Pierre Emond and Armel Drapeau, both of Edmundston, Jules Bossé of St-Jacques, and Robert Saintonge of Fredericton were in direct breach of the *Securities Act* and their conduct was contrary to the public interest.

A panel of the Commission issued orders in September 2009 prohibiting the respondents from using any exemptions under New Brunswick securities laws until further order of the panel. The parties had previously consented to the terms of the orders; therefore, no hearing was necessary. The order against Saintonge noted that staff had no information to suggest that he was involved in any fraudulent conduct or that he was directly involved in the operation or administration of the companies.

Intercontinental et al. (Concluded)

A temporary cease-trade order was issued by a panel of the Commission at an *ex parte* hearing in November 2009. A permanent ban on Intercontinental Trading Group S.A., Ron Wallace and Gary McCory was ordered later that month.

The tribunal found that Wallace and McCory solicited New Brunswick residents by telephone and email to trade in options for heating oil. Neither individual was registered to sell securities in New Brunswick. Intercontinental Trading Group S.A. claimed to be based out of Panama City, Panama.

In the motion materials, staff alleged that Intercontinental Trading Group S.A. was related to other Panama-based boiler room operations, including Hartford Capital Management, also known as Heartford Capital Management, which was cease-traded by the Saskatchewan Financial Services Commission in 2007.

Registrant Misconduct

Cody & Nason (Concluded)

Michael Cody and Donald Nason were the last remaining New Brunswick respondents in the matter involving Locate Technologies Inc. (Locate) and Tubtron Controls Corp. (Tubtron). Cody and Nason were involved in soliciting and selling shares in Locate and Tubtron to New Brunswick investors. Cody and Nason admitted to making prohibited representations to investors and acting in violation of the *Securities Act* when promoting and selling these securities. As a result of these violations, Cody and Nason were permanently barred from trading in securities and both were banned from becoming an officer or director of any issuer. Cody was ordered to pay a penalty of \$50,000 and Nason a penalty of \$100,000. They were also ordered to jointly pay \$2,000 in costs for the hearing.

Assante Financial Management Ltd. (Settlement Agreement)

Assante Financial Management Ltd. (Assante), an Ontario-based mutual funds dealer, was required to supervise its New Brunswick sales staff according to provincial securities laws. As it was not able to meet the requirements for local supervision as set out in the rules, Assante applied to the Executive Director of the Commission for an exemption for alternate supervision arrangements. The exemption was granted with conditions in May 2007 for a period of one year.

During a compliance review in August 2008, staff determined that Assante failed to meet the conditions of the exemption and continued to operate without proper supervision after the exemption expired. Assante subsequently applied to renew its exemption, but the Executive Director denied the request because of Assante's failure to comply with the conditions of the previous exemption.

Assante was reprimanded and ordered to pay \$7,500 in penalties and \$1,000 in costs for failing to meet the conditions of an exemption granted under New Brunswick securities law.

“...both Cody and Nason were registrants for either all or part of the time relating to the matters being considered by this panel. And as registrants, their role is critical to the Commission's objective of protecting investors and fostering efficient capital markets as noted above. Registrants, as professionals, have responsibilities under the Act to act in accordance with its provisions. Otherwise, investors are at considerable risk because they rely upon the advice and guidance of registrants in engaging in the capital markets. Furthermore, if investors do not have faith in registrants, there is a consequent lack of faith in the capital markets.”

3 July 2009, Reasons for Decision, in the matter of Michael Cody and Donald Nason

REPORT ON OUR STRATEGIC PRIORITIES

“Individuals who have sufficient financial means, experience and knowledge and, therefore, require a lesser degree of protection from the regulatory system are called Accredited Investors.”

Disclosure Violations

Barry Adams (Settlement Agreement)

In April 2009, a panel of the Commission approved a settlement agreement for Barry Adams, an insurance salesperson and former mutual fund salesperson in Saint John. Adams was banned from selling securities for ten years and ordered to pay \$20,000 in penalties for failing to comply with New Brunswick securities laws.

Adams was retained by a New Brunswick company to sell securities offered through Walton International Group Inc. from Ontario to accredited investors under an exemption in New Brunswick securities law. Eight of the 11 investors who purchased Walton securities after being referred by Adams were not accredited investors, a fact that Adams knew or ought to have known at the time.

Fraud

Bradley Andrew Murray (Concluded)

This order follows the conclusion of an RCMP investigation, in which Bradley Andrew Murray, of Moncton, was accused of selling shares in his lighting company in a manner that constituted fraud. He was convicted of fraud over \$5,000 by the criminal court system and has served a sentence of two years in prison. The matter before the Commission involved a single investor who lost in excess of \$100,000. A panel of the Commission issued an order banning Murray from trading in securities with the public in New Brunswick for a period of ten years. It also prohibits him from becoming or acting as a director or officer of any issuer, registrant or mutual fund manager for a period of ten years except with respect to a company which is wholly owned by him.

Recognition of Orders of Other Jurisdictions

Oil International et al.

New Brunswickers were advised in November 2009 via an Investor Alert about concerns with Oil International LLC, Black Gold International Ltd., Trinidad Oil and Gas Corporation, and individuals Gavin Morgan and John Andrew. The alert was issued as a result of an order of the Saskatchewan Financial Services Commission (SFSC). The SFSC order indicates that Oil International LLC was engaged to sell Black Gold International Ltd. securities. It also indicates that Gavin Morgan and John Andrew may work for one or more of these firms and may be soliciting on their behalf, and that Trinidad Oil and Gas Corporation is a company with an office in Texas, U.S.A.

A Commission panel issued an order in February 2010 banning these companies and individuals from operating in New Brunswick and providing that no exemption to securities laws applies. This order recognizes an order issued by the SFSC and remains in effect for as long as the SFSC order is active.

Shire International et al.

A cease-trade order was issued by a panel of the Commission against Shire International Real Estate Investment Ltd., Shire Asset Management Ltd., Hawaii Fund, Maples and White Sands Investment Ltd. and Jeanette Cleone Couch of Alberta in February 2009. These companies and Couch were not registered to conduct securities-related business in New Brunswick. The order bans the companies and the individual from operating in New Brunswick capital markets and states that any exemptions to New Brunswick securities laws do not apply to them.

The NBSC order mirrors similar orders issued by the SFCS and the Alberta Securities Commission (ASC) and will remain in effect for the same period of these orders. The SFCS and ASC orders indicate that the investments solicited were in real estate developments in Hawaii and Alberta.

PROTECTING NEW BRUNSWICK INVESTORS

Helmig and O'Neill

This order recognized orders issued by the British Columbia Securities Commission (BCSC) against two British Columbia residents, Kerry John O'Neill and Renee Marie Helmig (also known as Nisha Helmig). The BCSC order states that O'Neill was the head of an investment scheme called the Pay it Forward Program. Investors were told that their investment would be used to buy and sell distressed merchandise and that they would get between 100 per cent and 300 per cent of their money returned within 90 days. Helmig played a role in convincing investors to invest based on information provided to her by O'Neill.

The NBSC order permanently bans O'Neill and bans Helmig for a period of ten years from trading and buying any securities in the province except in limited circumstances. It also prohibits both from acting as a director or officer of an issuer, registrant or mutual fund manager, permanently in the case of O'Neill and for ten years in the case of Helmig.

Ex parte hearing: A hearing where the respondent is not present and has not been given notice of the application before the tribunal; often reserved for when urgent action is needed. A public hearing is held within 15 days of the *ex parte* hearing.

Landbankers International et al.

New Brunswickers were warned about several land-banking companies based in Puerto Vallarta via an Investor Alert in November 2009. An order was issued in February 2010 against Landbankers International MX, S.A. DE C.V., Sierra Madre Holdings MX, S.A. DE C.V. and L&B Landbanking Trust S.A. DE C.V., and several individuals who were alleged to be involved in selling or promoting these securities: Brian J. Wolf Zacarias, Roger Fernando Ayoso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia.

The order bans all trading in the securities of Landbankers International MX, S.A. DE C.V. and Sierra Madre Holdings MX, S.A. DE C.V., ceases-trades these companies and individuals and states that any exemptions to New Brunswick securities laws do not apply to them. The order recognizes those issued by the SFCS and the Ontario Securities Commission (OSC) and will remain in effect for the period of these orders.

Recognition orders: A means for the Commission to issue an order based upon the order of another jurisdiction when there is a threat to New Brunswick investors.

“*The regulation of New Brunswick’s capital markets is integrated into the larger Canadian market.*”

REPORT ON OUR STRATEGIC PRIORITIES

“Objective: To steadily increase interest in and awareness of financial matters and to increase opportunities for financial literacy training.”

EDUCATING INVESTORS TO TAKE ACTION

According to the CSA 2009 Investor Index, 84 per cent of New Brunswickers recognize that “whether you are contributing to a pension plan or saving in some other way, it is important to build up your own personal savings and investments.” However 41 per cent do not have any savings or investments set aside for the future, up from 33 per cent in 2006. They also realize that having a long-term financial plan will help them achieve their financial goals; however, 70 per cent do not have a formal written plan with clear investment goals.

Our investor education efforts aim to steadily increase interest and awareness of investing and financial matters, and to increase opportunities for financial literacy training. The results of the CSA 2009 Investor Index indicate that New Brunswickers have the knowledge and the right attitude when it comes to investing, but they do not take action on that knowledge. Our Education Strategy identified an overall long-term goal to change behaviour in New Brunswick investors. In 2008, we identified measurable objectives to work toward for 2010. We used the CSA 2009 Investor Index to measure the results in meeting our target.

According to the results, New Brunswick investors have generally adopted appropriate attitudes when it comes to investing and fraud awareness; however, they often fail to act on these beliefs. Our 2009-10 education and communication initiatives helped New Brunswickers move toward taking action. We provided tools and information as resources to build their confidence and help them make knowledgeable, appropriate investment and financial planning decisions.

We responded to the issues and the challenges identified in the research by developing targeted “Take Action” messages. These were included in our promotions during Investor Education Month in October 2009 and Fraud Prevention Month in March 2010. The information provided in the “Take Action” messages gave clear directions and specific action steps to put the knowledge into practice. The topics covered included investor’s rights and responsibilities, the investing process and fraud prevention.

We attempted to reach investors in as many ways as possible by developing news releases, print advertisements, public service announcements for radio and community print publications and Podcasts for our website. These messages were also included in regular communication on Twitter and Rogers television.

Various media sources reported the “Take Action” messages throughout the year. We wrote public service editorials for small community publications that appeared in 16 different publications around the province, in both English and French. The bi-weekly investment column on CBC Information Morning radio in Saint John often featured information from our website and frequently mentioned our investor protection initiatives. In 2009-10 there were over 300 articles that mentioned the NBSC in New Brunswick media, compared to approximately 200 in 2008-09.

Working with other organizations also helped deliver our message. We approached the New Brunswick libraries with a list of possible speaking topics and available brochures. This proactive measure resulted in us co-hosting eight public sessions with the libraries about investing basics and fraud prevention. Over 120 participants attended presentations held in Shippagan, Petit-Rocher, Saint John (three-part series), Florenceville and

Behaviour	CSA 2006 NB Investor Index Result	CSA 2009 NB Investor Index Result	Target
Complete reliance on financial adviser	46%	47%	30%
Conduct independent research into each investment opportunity prior to investing	42%	43%	50%
Increase confidence in decisions and confidence in where to go to find information ¹	47%	51% 73%	51% (06 national) 75% (09 national)
Recognize the red flags of fraud ²	64%	87%	88% (09 national)
Report any suspicious investment opportunity	14%	27%	30%

¹The original question in the CSA 2006 Investor Index was asked as two questions in the CSA 2009 Investor Index.

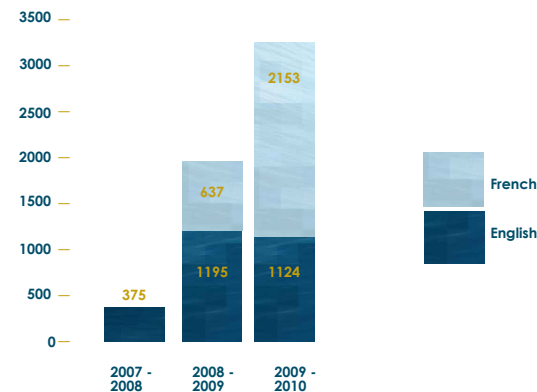
²The comparable question from the CSA 2006 Investor Index was asked in more detail in the CSA 2009 Investor Index. An average of the top five strong or moderate indicators of fraud asked in 2009 was used for comparison purposes.

EDUCATING INVESTORS TO TAKE ACTION

Take Action Messages

<i>Investor Education Month</i>	<i>Fraud Prevention Month</i>
Find answers to your investing questions	Meet with your investment adviser to assess your willingness to take risk and review your risk tolerance regularly.
Control your financial future	Know the red flags of investment fraud and be aware of the characteristics of common investment scams.
Map your financial future	Research each investment opportunity and do a background check on the person who offers the investment.
Investigate before you invest	Report all suspicion of investment fraud to the NBSC.

ABC's of Fraud Participants



“In 2009-10, our education initiatives focused on our New Brunswick youth and on improving the level of financial literacy in the province.”

New Brunswickers
It's Time to Take Action!

Why do people spend more time researching a new car or planning a vacation than investing their *life savings?*

You know you should pay more attention to your investments - but do you know *where to start?*

If you are thinking of planning your financial future for the first time, *you're not alone.*

Take control of your *financial future.*

It's Time.

Find the answers at www.InvestInKnowingMore.ca or call 1 866 933-2222

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

Edmundston. One of the three-part series presentations held at the Saint John library was reported on Global Maritimes television. The Rogers Television program *Revue Péninsule* aired a story about the presentation made at the Shippagan Public Library.

We sponsored the Saint John Volunteer Centre's *ABC's of Fraud*® program, which continues to thrive. Trained volunteers offer the *ABC's of Fraud* workshops using videos, discussions, skits, exercises, props and handouts to help participants recognize, avoid and report fraud. Since 2007, the Saint John Volunteer Centre has made presentations to more than 5484 New Brunswickers (2790 French, 2694 English).

YOUTH FINANCIAL LITERACY

We believe responsible financial management habits learned at an early age will carry on into adulthood. Parents play a big role in teaching their children about financial matters. According to the CSA 2009 Investor Index, 80 per cent of New Brunswick respondents agree that it is important to pass along personal experiences and insights to children, and that, teaching children financial skills is among the most important things parents can do for their children. However, parents claim to be only somewhat confident in their ability to teach their children about personal finances and investing.

It is tough for parents to follow through on what they believe because talking about money matters can be uncomfortable for parents and considered uninteresting by kids. The CSA 2009 Investor Index shows that even though parents have the desire to teach their children about personal finances, more than half (59 per cent) of New Brunswickers have not done so.

This is the reason we are involved in teaching youth about money matters. In 2009-10, our education initiatives focused on our New Brunswick youth and on improving the level of financial literacy in the province. In order to make it easier for investors to make informed responsible investment decisions we provided new brochures, website resources and introduced new programs.

REPORT ON OUR STRATEGIC PRIORITIES

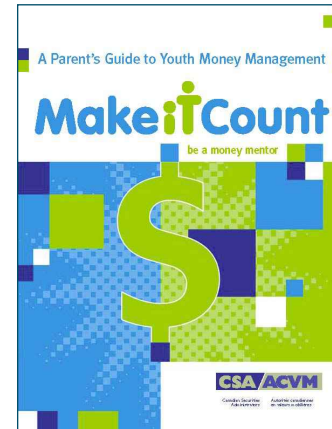
“What a great initiative. I'm sure many of our parents wish they had a document like this when we were kids...”

Feedback from a parent who used the *Make it Count* program

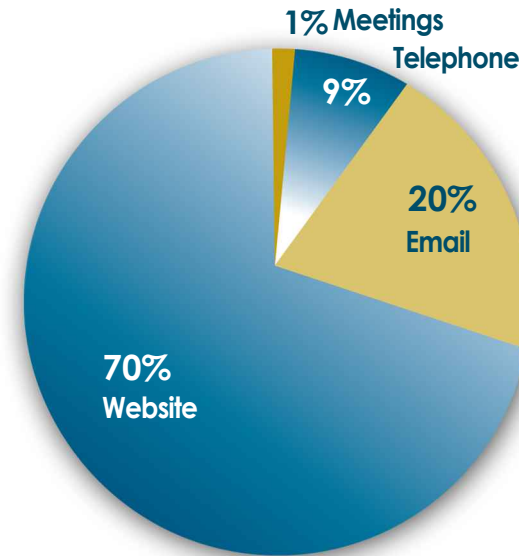
In late 2009, we introduced a new CSA program called *Make it Count: A parent's guide to youth money management*. The *Make it Count* program provides parents and teachers with simple, tangible activities and lessons to make it easier for them to teach children or students about responsible money management. This program was launched during Investor Education Month in October. In addition to a news release and website promotion coinciding with the CSA's release, we promoted the program through radio public service announcements and through a Government of New Brunswick employee email promotion.

The feedback about the *Make it Count* program was very positive. Immediately following the launch, we received great response in the number of requests for the booklet and additional resources. By fiscal year end, we distributed 781 English and 286 French *Make it Count* guides. The guide tells parents how to integrate lessons about responsible money management habits into everyday family activities. The Instructor's Guide (an adapted version) provides teachers with simple lesson plans for classroom and group activities.

The information was also sent throughout the province to non-profit agencies that work with children. The Saint John Boys & Girls Club took the initiative to incorporate *Make it Count* into its Torch Club program for youth ages 8 to 12. We worked with the Torch Club to help them understand personal needs versus wants and the value of money. We also helped them create a budget for their annual Christmas party. We anticipate building on this initiative with other Boys and Girls Clubs throughout the province.



Sources of Requests for *Make it Count* Program Guides



EDUCATING INVESTORS TO TAKE ACTION

The CSA *Financial Fitness Challenge* was launched across Canada in February 2010 to engage youth in a way that is both interactive and fun. This contest was designed to raise awareness among youth about concepts like budgeting, saving and investing. The 2010 edition of the *Financial Fitness Challenge* had a new look, improved online features and contest questions, and increased interaction with participants through the use of additional social media and online applications.

We promoted the contest with a kit that included a letter and posters for each high school in the province. At the end of March we had 598 contest entries from New Brunswick. The new Facebook group had 1071 fans and Twitter had 241 followers. The contest ran until 15 April 2010. One contestant in each province won a Notebook computer and one Canadian youth won a \$2,000 cash prize.

Throughout the year, we influenced over 1670 youth and families with our youth-focused initiatives. By encouraging young people to take an interest in financial matters we are educating and preparing future investors.



Marissa Rignanesi, Education Coordinator, with Torch Club youth

“The youth were amazed to learn that there is no such thing as free minutes on a cell phone. Make it Count is an excellent program which was well received and appreciated by the youth.”

Debbie Cooper,
Executive Director,
Boys & Girls Club
of Saint John

twitter

Our Twitter profile, NBSecuritiesCom, has over 280 followers and the French equivalent, ValMobduNB, has 28 followers.

REPORT ON OUR STRATEGIC PRIORITIES

IMPROVING ACCESS TO CAPITAL

We see our role as a catalyst in developing New Brunswick capital markets. We work with stakeholders to create the strategic infrastructure and regulatory environment required to support access to capital in New Brunswick. This helps New Brunswick businesses grow and contributes to the economic wealth and independence of the province. Looking for innovative ways to meet the needs of participants in the capital markets sets us apart from many other securities regulators.

FULLSAIL™ SUMMIT 2009

2008-09 was a challenging time for businesses both in New Brunswick and globally. Venture capital and angel financing slowed as the financial crisis in the United States impacted Canada's financial markets and limited the capital available for investment. The *Fullsail* Summit, held in May 2009, had the theme "Moving Beyond Today" highlighting how entrepreneurs could advance their business during tough economic times.

Like its predecessors, *Fullsail* Summit 2009 was an opportunity for a diverse range of players in the capital markets arena to network. The Summit featured insights and discussion from well-known experts. Speakers drew upon global success stories to show how vibrant capital markets could be created in New Brunswick. The conference featured a combination of plenary sessions, electronic voting and idea generating working groups.

This year, there were returning delegates and new participants who brought a fresh viewpoint to our discussions. We provided opportunities for delegates to interact with the experts, and each other, in order to develop their personal action plans on how they might contribute to the growth and development of New Brunswick's capital markets.

“Objective: To undertake initiatives, directly or with partners, that focus on building the infrastructure for New Brunswick capital markets and improving access to capital.”



Gene Fowler, panelist at Fullsail Summit 2009



Fullsail 2009 Keynote and Expert Panel Speakers:

John Ibbitson, *The Globe & Mail's* Washington Correspondent

Rahaf Harfoush, *New Media Expert, Member of Barack Obama's Social Media Team*

Tod Maffin, *Expert on the impact of technology*

Peter Schiff, *President and Chief Global Strategist of EuroPacific Capital*

IMPROVING ACCESS TO CAPITAL



John Ibbitson



Rahaf Harfoush



Peter Schiff

FULLSAIL INITIATIVE

The action-oriented *Fullsail* Summits held in 2007, 2008 and 2009 engaged capital markets stakeholders and, in turn, helped to guide our subsequent capital markets development endeavours. We also named our overarching capital markets development initiative *Fullsail*, to capitalize on the existing awareness of our *Fullsail* brand.

Over the past five years, with the help of our stakeholders, we have built a strong foundation for accessing capital in New Brunswick. Looking beyond our original focus on start-up and early-stage entrepreneurs, our *Fullsail* efforts now focus on developing access to capital for emerging, growing and established businesses. The initiatives undertaken in 2009-10 are a direct result of this redefined focus.

In 2009, we met with some of our key stakeholders to get their feedback about our work in capital markets and to assess progress in developing these markets. From this review, we developed a plan to guide our capital markets activities over the next three years. We concluded that we will achieve our *Fullsail* mandate through research, education, action and progress reporting.

Research

To improve access to capital for businesses, we must understand the intricacies of the New Brunswick capital markets. This knowledge must include the interaction among capital markets stakeholders and the barriers faced by businesses when accessing capital.

In June 2009, we returned to the State of Wisconsin to consult with those involved in the state's highly successful capital markets development initiative. This visit provided us with new ideas and confirmed the potential impact of our current work. There are still lessons to be learned from Wisconsin and others involved in access to capital initiatives.

In fall 2009, we commissioned a study to identify a baseline for future efforts. The study's objectives were: to identify and quantify the components that make up New Brunswick's capital markets; to identify how we should measure the components, the changes and the growth of the capital markets; and to identify, define and measure the relationships among the various segments of the capital markets. Results of the study will be released in late spring 2010.

“It takes courage and commitment to build an event like *Fullsail* and I applaud the NBSC's determination to make the product work for all its markets.”

Neville Gilfoy,
Progress Media

Fullsail is the name for our overall capital markets development initiative.

REPORT ON OUR STRATEGIC PRIORITIES

“Where were you ten years ago!”

Comment from March 2010 *Learning the Ropes* participant

Education

We continue to build awareness and an understanding of the basics of securities regulation, financing and capital raising options. This will assist businesses in understanding what is required to access capital. We believe that our capital markets education efforts must be accessible to many audiences in many forms. We provide access to relevant information through information sessions, brochures, our website and the use of technology.

In 2010, we delivered 11 *Learning the Ropes* educational sessions (five French, six English) reaching a total of 143 participants in nine communities throughout the province.

Ten of the sessions entitled ‘Grow your business without growing debt’ focused on the New Brunswick Small Business Investor Tax Credit (SBITC) program and other options to help companies raise capital. We take every opportunity to work with those involved in capital markets development. To cover the full spectrum of equity financing options our *Learning the Ropes* presenters, in addition to our staff, included Department of Finance staff, accountants who have worked with the program and local business owners who have benefited from the SBITC.

Sessions held in January, in Miramichi and Bathurst, were in partnership with the local Community Business Development Corporation. In March, eight additional sessions held in Saint John, Fredericton, Moncton, Edmundston, Kedgwick, Grand Falls and Caraquet were sponsored in partnership with Business New Brunswick and the Enterprise Network.



Learning the Ropes. The education arm of our *Fullsail* initiative.

With the goal of informing New Brunswickers about equity market options, we held a *Learning the Ropes* session about the Canadian National Stock Exchange (CNSX). The CNSX recently entered the market to compete for initial public offerings (IPO) as well as publicly traded equity and bonds. CNSX representatives explained how competition in the marketplace has increased opportunities for investors and companies alike. The Toronto-based CNSX trades in securities for companies in all stages of growth. We co-hosted this event with the Saint John Board of Trade and had over 40 participants.



Learning the Ropes, January 2010 - Ian Bandeen, CNSX

COURTESY OF THE TELEGRAPH JOURNAL

A number of improvements were made to our website including a new section entitled Accessing Capital. We updated much of the content to reflect our focus on improving access to capital for companies in all stages of growth. We also added a new feature to provide an opportunity for our stakeholders to subscribe to receive email updates on subjects that are of interest to them. New research, reports, presentations and other relevant links and information are uploaded to the website on an on-going basis.

IMPROVING ACCESS TO CAPITAL

Action

We are a catalyst for developing the capital markets in the province. Implementing new initiatives requires the help of others. Through our *Fullsail* Summits, our stakeholders identified a need for a provincial sidecar fund. A sidecar fund model was developed by staff based on research conducted on international best practices and discussions with New Brunswick and Canadian experts. The existence of a sidecar fund could lever more angel and venture capital and help meet the needs of early stage financing for new ventures.

We brought some of our interested partners together at a *Fullsail* Series event held in March 2010 to further develop the concept of a New Brunswick sidecar fund. This facilitated working session identified potential founding members for the steering committee and potential administrators; acknowledged the entities best positioned to champion its establishment; and established next steps for the steering committee.

In December 2009, the New Brunswick government tabled its 2010-11 budget, which approved the implementation of major changes to the Small Business Investor Tax Credit program. The maximum tax credit permitted under the program was raised from \$25,000 to \$75,000 enabling an investment of up to \$250,000. In addition, there is now no limit on the number of investors for eligible projects. These changes improve New Brunswick businesses' access to capital.

During the year, we sponsored two business pitch events to help start-up companies and prospective entrepreneurs become "investment ready". We participated as a judge in Enterprise Restigouche's day-long training event in Dalhousie, which included a "Dragon's Den" style competition. We also helped judge the University of New Brunswick's Technology Management and Entrepreneurship program's pitch challenge for students.

Sidecar fund: A committed source of capital that "rides", or invests, alongside angel or venture capital investors. Traditionally, sidecar funds invest in opportunities that have been vetted by and are being invested in by angel or venture capital investors.

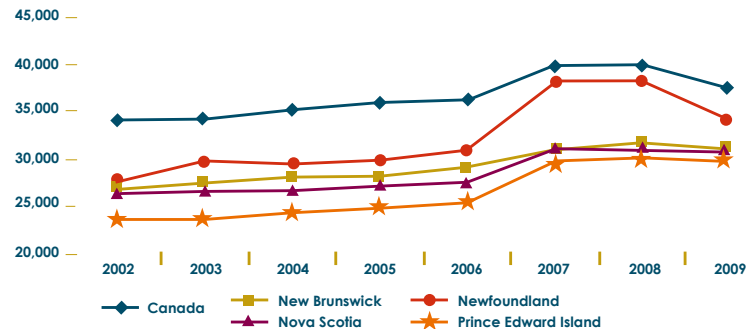
Progress Reporting

We created a newsletter called Making Headway as a way to continue engaging and informing New Brunswick capital markets stakeholders on our *Fullsail* progress. The newsletter was published twice in the 2009-10 fiscal year. Newsletter topics focused on access to capital and featured stories about people and initiatives. We aimed to make the content relevant to emerging, on-going and established businesses.

Metrics

We report on the following metrics to measure growth in our capital markets. These private equity market segments are generally considered indicators of the state of the equity markets in New Brunswick.

Real Gross Domestic Product per capita



Source: Statistics Canada

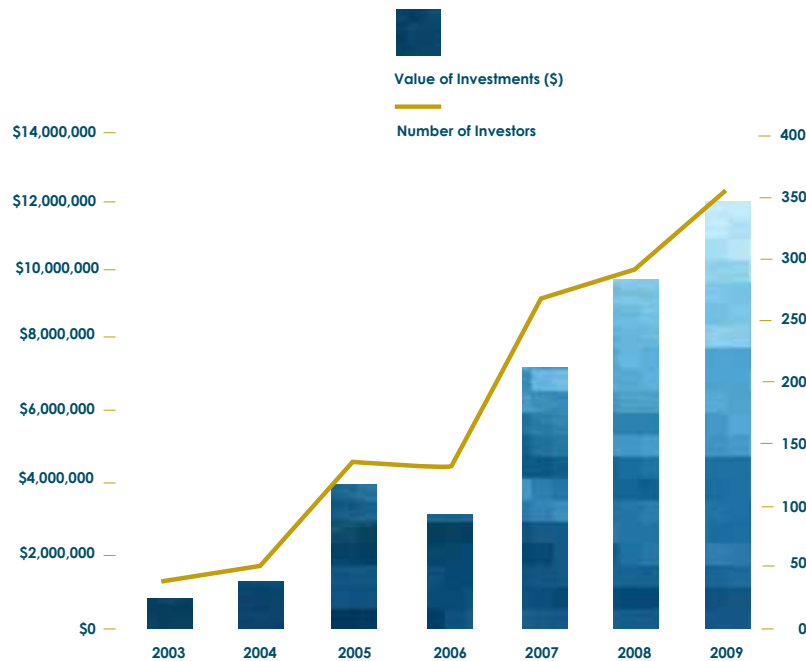
Real Gross Domestic Product (GDP) per capita measures personal wealth as opposed to state or provincial wealth and is measured in real terms. It is considered to be a more accurate reflection of the change in wealth created from entrepreneurial activities and investment.

Canada's Real GDP fell by 2.9 per cent in 2009. New Brunswick's Real GDP also fell, but by a marginal 0.8 per cent. The provincial economy was more stable during 2009 and better able to weather the global economic storm. This, combined with a slight increase in the population, pushed the Real GDP per capita to 82.49 per cent of Canada's average, up from 79.57 per cent in 2008.

“Objective: To see an increase in metrics related to sections of the capital markets.”

REPORT ON OUR STRATEGIC PRIORITIES

Small Business Investor Tax Credit (SBITC)



Source: New Brunswick Department of Finance

Measuring the value of investment through the SBITC program provides information about potential job creation and future investment through venture capital or public equity. This program allows New Brunswickers to invest in New Brunswick businesses generating additional provincial wealth.

The number of applications, number of investors and value of investment through the SBITC program increased substantially in 2009. Participation increased 44 per cent over 2008 with 79 approved applications and the total value of investment was up 25 per cent to over \$12 million. 353 investors took advantage of the personal tax credit in 2009, an increase of 22 per cent over last year.

Angel Investment

Angel investment is an important part of early stage growth because it leverages additional investment. These metrics indicate awareness about the supply and demand for angel equity investment. The First Angel Network (FAN) is the only formal angel network in the Maritimes; they provide their numbers as an indicator of angel investment in the province.

Angel investment in New Brunswick through FAN declined with only one investment of \$235,000 in a New Brunswick company, compared to \$300,000 invested in two companies last year. There were 33 New Brunswick-based angels associated with FAN in 2009, unchanged from last year.

Venture Capital

Amount Invested (\$ millions)	2009	2008	2007
Canada	1,010	1,374	2,066
Quebec	431	392	642
Ontario	288	575	950
British Columbia	141	260	316
Alberta	59	78	47
New Brunswick	26	26	16
Saskatchewan	13	21	59
Nova Scotia	25	17	18
Manitoba	10	3	18
Newfoundland and Labrador	18	2	0
Prince Edward Island	0	0	0

Source: Thomson/Reuters

IMPROVING ACCESS TO CAPITAL

Venture Capital

Venture Capital (VC) investment is the logical next step after angel financing. Early stage VC funding is needed to help carry a business to its next stage of growth. It is usually the source of equity needed to commercialize research and development and to pursue market readiness and entry.

Between 2008 and 2009, total Canadian venture capital investment fell nearly 26.5 per cent. New Brunswick countered the nationwide trend with no change year-over-year. There was a total investment of \$26 million in six New Brunswick companies.



Launch of the 2010 Atlantic Entrepreneurship Expo

(L-R) David Barry, Rick Hancox and Victor Boudreau, Minister of Business New Brunswick

“We are a catalyst for developing the capital markets in the province.”

REPORT ON OUR STRATEGIC PRIORITIES

“Objective: An increased level of compliance over three years.”

CREATING A CULTURE OF COMPLIANCE

Our proactive measures and cooperative approach create a culture of compliance among New Brunswick capital markets participants. Our guiding principles are applied consistently and are in place to protect investors and build confidence in our capital markets.

Registration is a key requirement of securities laws. Individuals and firms must be registered to act as an adviser or be in the business of trading in securities or exchange contracts in New Brunswick unless a registration exemption applies. The registration process involves assessing the proficiency, education and experience of the persons 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 in which we try to protect investors.

Securities industry professionals are required to register with the securities regulatory authority in each province or territory where they do business. In 2009-10 there were 136 new dealer and adviser firms registered in the province to bring the total to 296.



Alex Wu, Nathalie Thibodeau

Registrants must conduct themselves in an ethical and business-like manner and act fairly, honestly and in good faith with their clients. We undertake compliance reviews on New Brunswick-based registrants using a rotational and risk-based approach. Registrant reviews were conducted on their premises to verify that firms and individuals are doing business according to securities laws. Our objective is to achieve an increased level of compliance from our initial review to our follow-up review.

Ten compliance reviews involving 29 firms were completed during the year, three of which were full compliance reviews. One of these reviews was initiated as part of a scheduled rotation while two were prompted by information received, which warranted a review of the firms. We conducted three follow-up reviews in 2009-10 on firms that had significant deficiencies in previous years. All three showed improvement over previous years.

In addition to full and follow-up reviews, we conduct issue-specific reviews. These reviews could stem from a complaint, action taken in another jurisdiction, issues raised by staff, current market conditions or risk factors, or information shared by another regulatory body.

This year, we conducted an issue-specific review, also known as a market sweep, of 20 firms in New Brunswick regarding the use of leveraging as an investment vehicle. The compliance team conducted this sweep to determine how leverage was used to purchase investments by New Brunswickers. An industry report is being completed, which outlines the results of the market sweep and provides better business practices for the industry.

Leveraging: The use of borrowed funds to purchase investments. Leveraging has the potential to amplify gains or losses. The goal of leveraging is to increase profit from investing, but may also increase losses. The investor is exposed to higher risk. If an investment is made with borrowed funds, the investor must repay both the amount borrowed and interest, regardless of the investment outcome.

CREATING A CULTURE OF COMPLIANCE

Some firms are regulated by membership-driven SROs, such as the Investment Industry Regulatory Organization of Canada (IIROC) or the Mutual Fund Dealers Association of Canada (MFDA), neither of which has offices in the province. Unlike many other jurisdictions, we retain the right and ability to conduct compliance reviews of SRO member firms. The SROs conduct reviews of their membership and we cooperate with these SROs whenever possible.

Consequently, we conducted three joint reviews with the MFDA in 2009-10. During the reviews it was noted that there were specific issues regarding suitability of investments, leveraging, supervision of staff and deficiencies in record keeping. As a result of these reviews, the MFDA referred these firms to its enforcement division for follow up and possible enforcement action.

We also participated in a national review of IIROC with other CSA jurisdictions in 2009-10. This review was to assess the implementation of internal policies and procedures and the effectiveness of its reviews and enforcement actions. We specifically reviewed the New Brunswick-based files.

REPORTING ISSUERS

Public companies that are subject to reporting obligations must regularly disclose relevant information to their shareholders. During the fiscal year, we completed a full continuous disclosure review on one New Brunswick-based reporting issuer. Reporting issuers are reviewed on a three-year rotational basis.

We conducted issue-specific reviews on all reporting issuers regarding the need for Canadian companies to begin implementation of International Financial Reporting Standards (IFRS). There were obligations in 2009 for public companies to include preliminary discussions in their financial reporting documents about the steps they are taking to conform to IFRS. The new IFRS standards will represent Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises on 1 January 2011.

International Financial Reporting Standards (IFRS) – The Canadian Accounting Standards Board confirmed that IFRS will be the Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises on 1 January 2011.

We participated in a continuous disclosure peer review program with other CSA jurisdictions. The program enabled each jurisdiction to send a continuous disclosure report to another jurisdiction for review and comments. This provides consistency in the report contents, how the report is stated and escalation procedures. The Alberta Securities Commission reviewed our report and we reviewed a report from l'Autorité des marchés financiers, the Quebec securities regulator. The results of these reviews were incorporated into a report which was sent to the participating companies.

In 2009-10, we reviewed our first Capital Pool Company (CPC) prospectus filing as principal regulator. New Brunswick-based Azura Ventures Inc. received conditional acceptance from the TSX Venture Exchange subject to completing an Initial Public Offering of its common shares.

Capital Pool Company (CPC): A CPC provides an alternative to a traditional initial public offering (IPO). It involves a two-step introduction of an issuer into the capital markets by allowing seasoned directors and officers to form a CPC with no assets, other than cash. The CPC then lists on a stock exchange and raises a pool of capital. Within 24 months the CPC can seek an investment opportunity in an existing business.

IMPLEMENTING NEW RULES

We have an objective to implement local and national rules consistent with CSA project time frames. On 28 September 2009, new registration rules came into effect across Canada which apply to firms and individuals who deal in securities, provide investment advice or manage investment funds. This important initiative reflects an extensive consultation process that began in 2005.

The implementation of National Instrument 31-103 *Registration Requirements and Exemptions* and related rules and amendments is significant in that it creates common registration categories and competencies for registrants across Canada. This national registration regime was the final phase of harmonization in the CSA Passport System.

“Objective: To implement local and national rules consistent with CSA project time frames.”

REPORT ON OUR STRATEGIC PRIORITIES

“*Determining the suitability of those seeking registration is one of the ways in which we try to protect investors.*”

The new regime has higher proficiency standards for some registrants and enhanced rules for consumer disclosure, referral arrangements, handling investor complaints, and disclosing and addressing conflicts of interest. It also introduces a registration requirement for investment fund managers, exempt market dealers and senior officers responsible for compliance. The new rules recognize that the registration regime must accommodate a wide variety of business models, scales of operations, clients and products.

In order to inform those who might be affected by this change, we created a new section on our website. The Registration Reform section of the website outlines the changes, and provides links to frequently asked questions, a list of forms and a news section. We also placed several advertisements in provincial newspapers and sent out a letter to all New Brunswick-based firms.

We noted an increase in the number of firms and individuals registered during 2009-10, due in part, to the new registration requirements for exempt market dealers.

As the new rule is implemented, staff in each CSA jurisdiction continue to discuss the process and collectively decide how to deal with issues that arise. This creates a common regime that is standardized across Canada.



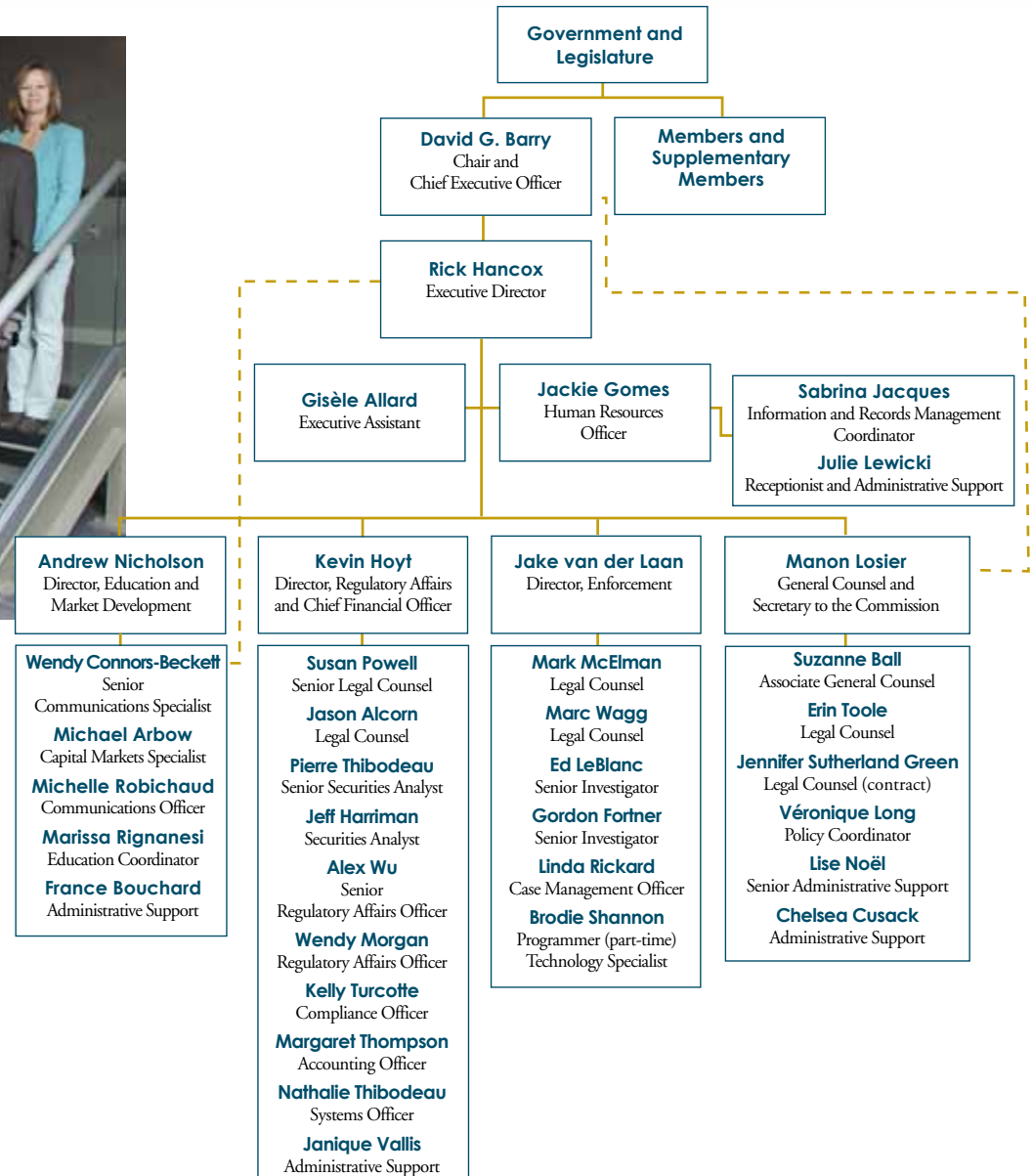
Pierre Thibodeau, Marc Wagg, Jackie Gomes

ORGANIZATIONAL CHART

AS AT 31 MARCH 2010



March 2010



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

ROLE OF COMMISSION MEMBERS

As directors of the Commission, the six Members are accountable to the government for the proper administration of the *Securities Act* and the governance of the Commission. Members apply their expertise in areas of management oversight, policy development and adjudication. They review resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems. The Commission Members' mandate, which is contained in the Governance Policy, can be found on our website.

As a full-time Member of the Commission, the Chair acts as our Chief Executive Officer. He is responsible for the administration of the *Securities Act* and reports directly to the provincial legislature through the Minister of Justice and Consumer Affairs. He presides over Commission meetings and is ultimately responsible for the overall performance and management of the organization. The Chair and CEO's position description is contained in the Governance Policy.

As policy-makers, Members consider regulatory initiatives and priorities, review and approve rules and policies, and recommend changes to the *Securities Act*. In March 2010, Members approved a Privacy Policy for the Commission.

In their quasi-judicial role, Members adjudicate enforcement hearings. Supplementary Members also serve on these adjudicative panels. Details of participation in hearings on enforcement matters and on exemption requests are included in the table on page 32.

INDEPENDENCE

Members, except the Chair, must be independent of the Commission and must not have a direct or indirect association which would interfere with their independent judgement in exercising their role with the Commission. As a part of every Commission and committee meeting, the Members meet in private without staff present, other than the Chair. This is followed by an *in camera* meeting of independent Members only. This part of the meeting is chaired by the Lead Member or in the case of standing committee meetings, by the committee chair.

Our Governance Policy provides that the independent Members designate a Lead Member to ensure that the Commission functions independently of management. Anne La Forest was appointed as Lead Member in 2008 and continued in this role in the 2009-10 fiscal year. The Lead Member convenes the Members to meet in

the absence of the Chair and management and, in consultation with the Members, establishes the agenda, presides and determines the procedure for such meetings. The Lead Member is provided with a copy of the agenda for meetings of the standing committees and may attend these meetings. The Lead Member presides and acts as Chair in the absence or inability of the Chair to act at any Commission meeting.

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 that stipulates that all staff and Members must act in a manner that instills public confidence in the integrity of the Commission. The code includes provisions designed to minimize and report real or potential conflict of interest and unethical activities.

Members and staff are exposed to confidential information and are therefore subject to rigorous disclosures. Both must disclose securities holdings, any changes in holdings as well as the immediate reporting of conflicts or perceived conflicts that could be perceived to influence decisions.

OFFICIAL LANGUAGES

We recognize our obligation under the New Brunswick *Official Languages Act*. We are committed to providing quality services to the public in their official language of choice, and to promote a balanced use of both official languages within the workplace.

PUBLIC INTEREST DISCLOSURE

The *Public Interest Disclosure (PID) Act* encourages employees in the provincial public service to report any wrongdoing that has occurred or is about to occur in the workplace that is potentially unlawful, dangerous to the public or harmful to the public interest. The Act protects employees from reprisal for disclosing these wrongdoings and provides a fair and objective process for those employees who are alleged to have committed a wrongdoing.

As a Crown corporation, we are obligated to disclose in our annual report the number of complaints received and the action taken; the number of investigations begun as a result of a disclosure; the number of claims referred from the Conflict of Interest Commissioner and the action taken; and, the number of investigations begun as a result of such claims.

BEING ACCOUNTABLE TO NEW BRUNSWICKERS

We are pleased to report that there were no disclosures or claims made against a New Brunswick Securities Commission employee under the PID Act in 2009-10.

PRIVACY

The Commission is committed to respecting privacy and protecting personal information. We manage and protect personal information according to New Brunswick privacy and access to information legislation, the *Securities Act* and Commission policies, directives and procedures.



Andrew Nicholson, Jake van der Laan, Rick Hancox, Kevin Hoyt, Manon Losier, David Barry

In 2009-10 we developed a privacy policy that outlines the principles by which we operate to protect the personal information that we collect. The policy incorporates the ten principles of the Canadian Standards Association *Model Code for the Protection of Personal Information* (CSA Model Code) which was published as a National Standard of Canada by the Standards Council of Canada. The Executive Director was designated to act as the Commission's Privacy Officer and is responsible for ensuring proper procedures are in place for compliance with the policy.

MEMBER ORIENTATION AND CONTINUING EDUCATION

New Members must participate in an extensive orientation program. This mandatory training provides an overview of the Canadian and New Brunswick securities regulatory landscape. The program includes training on our operations, financial affairs, legal framework, governance practices and role as a quasi-judicial tribunal. The training is provided in half-day modules for flexibility. Members are given a detailed binder containing information about our operations. They also meet senior management and tour our offices.

New Supplementary Members must also participate in an orientation session focused on introducing them to hearings on enforcement matters, our role as a tribunal and a basic orientation to securities law and administrative law. A briefing is also given on our compliance and enforcement functions.

The Commission places high value on continuing education and its programs are comprised of mandatory common training sessions and individual training. In spring 2009, the common training focused on the conduct of enforcement proceedings and the fall 2009 session focused on the operation of exchanges. Members and Supplementary Members also pursued individual education opportunities in the areas of administrative law, securities law, directors' responsibilities and remedies.

ASSESSMENTS

Members are provided with the opportunity, annually, to evaluate the Commission, its standing committees and its Members. Members also perform a self-evaluation every year, which includes an interview with the Chair.

“The Commission is committed to respecting privacy and protecting personal information.”

BEING ACCOUNTABLE TO NEW BRUNSWICKERS

“The Commission places high value on continuing education.”

COMMITTEES

We have three standing committees: Audit, Human Resources and Governance, and Adjudicative. The terms of reference for each of the committees are available in our Governance Policy. Committee members are expected to have the time, experience and education to serve on a committee. A Member's ability to participate must not be compromised by service on other external boards or committees. The Chair sits *ex officio* on the Audit and Human Resources and Governance committees but does not vote and he is the Chair of the Adjudicative Committee. Attendance at committee meetings is reflected in the table on page 32.

Audit Committee

The Audit Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management. It must meet at least six times per year.

The members of the Audit Committee are required to be financially literate. This 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 committee members have attested to their financial literacy.

Human Resources and Governance Committee

The Human Resources and Governance Committee is responsible for compensation; nomination of Members and Supplementary Members, and selection of senior management; assessment of the organizational structure and performance; human resources policies and procedures; and governance. The Committee meets at least four times per year.

Members of the Commission are appointed by the Lieutenant-Governor in Council for terms not exceeding five years, and may be reappointed. The Human Resources and Governance Committee and the Commission play an active role in recommending candidates for selection pursuant to a Memorandum of Understanding with the Department of Justice and Consumer Affairs.

Commission Members are recommended for appointment based on a profile contained in our Governance Policy. The profile reflects the need for appropriate skills and experience among our Members, along with a reasonable geographic and linguistic representation that reflects the diversity of the province.

The Human Resource and Governance Committee reviews the qualification profile of the board on a regular basis. This allows the Commission to identify the qualifications needed for new Member appointments. In June 2009, a new Chair was appointed for a five-year term and a Member was reappointed following an extensive nomination process.

Adjudicative Committee

The Adjudicative Committee is responsible for reviewing and evaluating the adjudicative procedures and practices of the Commission, and recommending improvements where appropriate. It also provides an opportunity for discussion of hearing processes and recent case law. All Members and Supplementary Members are members of this committee which meets twice per year.

REMUNERATION Members

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

	Salary	Annual Retainer	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
Lead Member and Committee Chairs	n/a	\$2,000	n/a

Chair and CEO

The former Chair retired 30 June 2010. He received a basic salary of \$44,588.15 (\$174,500 annualized) plus employment benefits which include health, dental and life insurance, pension and supplemental pension, a retirement allowance of \$167,787.50, leave, parking and the use of a vehicle. The former Chair's expenses, which include the operating costs of a vehicle, travel, meals, hotel, parking and education, were in the amount of \$11,143.

The current Chair, appointed effective 1 July 2010, received a basic salary of \$79,834.24 (\$154,400 annualized) plus employment benefits which include health, dental and life insurance, in lieu of pension a payment of nine per cent of basic salary, 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 \$25,094.

BEING ACCOUNTABLE TO NEW BRUNSWICKERS

MEMBERS' ATTENDANCE 2009-2010

Members	Commission meetings (14)	Commission meetings preparation	Special meetings including strategic planning and education sessions	Audit Committee meetings (7)	Human Resources and Governance Committee meetings (6)	Adjudicative Committee meetings (2)	Enforcement hearings (14)	Enforcement hearings preparation and decision making	Hearings on exemption requests (15)
Donne W. Smith ¹	3	N/A	2	2	2	1	1	N/A	7
David G. Barry, Q.C. ²	7	N/A	3	5	3	1	6	N/A	6
Anne La Forest	13	11	4	7	1 ⁴	2	8	11	1
Sheldon Lee	14	12	3	7	1 ⁴	2	5	4	2
Kenneth Savage	14	12	6	7	6	2	3	2	4
Céline Trifts	14	12	6	N/A	6	2	7	6	5
Harry H. Williamson, Q.C.	14	12	4	N/A	6	2	2	1	4
Supplementary Members									
Robert Shannon	N/A	N/A	1	N/A	N/A	1	3	3	N/A
Denise A. LeBlanc, Q.C.	N/A	N/A	2	N/A	N/A	2	4	5	N/A
James Lockyer, Q.C.	N/A	N/A	1	N/A	N/A	1	1	1	N/A
Guy G. Couturier, Q.C. ³	N/A	N/A	3	N/A	N/A	1	3	6	N/A

Notes:

- 1 Term expired on 30 June 2009
- 2 Term commenced 1 July 2009
- 3 Term commenced 18 September 2009
- 4 Upon invitation

BEING ACCOUNTABLE TO NEW BRUNSWICKERS

MEMBERS' REMUNERATION AND EXPENSES – 2009-2010

The Members' retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2009-10 are included below.

	Appointed / reappointed	Term end	Retainer ¹	Service fees	Allotment for travel time	Total remuneration	Expense reimbursements and allowances
Members							
Anne La Forest (Lead Member)	1 July 2004 15 July 2008	14 July 2012	\$12,000	\$20,650	\$2,800	\$35,450	\$3,071
Sheldon Lee	15 July 2008	14 July 2013	\$10,000	\$17,500	\$1,000	\$28,500	\$2,951
Kenneth Savage (Committee Chair)	16 August 2007	30 June 2010	\$12,000	\$19,600	\$1,800	\$33,400	\$11,760
Céline Trifts (Committee Chair)	16 August 2007 30 June 2009	30 June 2014	\$12,000	\$20,300	\$4,300	\$36,600	\$10,858
Harry H. Williamson, Q.C.	15 July 2008	14 July 2013	\$10,000	\$15,750	\$3,200	\$28,950	\$5,417
Supplementary Members							
Denise A. LeBlanc, Q.C.	15 July 2008	14 July 2011	\$5,000	\$4,550 ²	\$800	\$10,350	\$4,279
James Lockyer, Q.C.	15 November 2007	31 October 2010	\$5,000	\$1,400 ²	\$600	\$7,000	\$594
Robert Shannon	15 November 2007	31 October 2010	\$5,000	\$2,800 ²	\$400	\$8,200	\$616
Guy G. Couturier, Q.C.	18 September 2009	17 September 2010	\$2,677	\$4,550 ²	\$600	\$7,827	\$1,155

Notes:

- 1 The Lead Member and Committee chairs receive an additional retainer of \$2,000 per year.
- 2 The Supplementary Members service fees include payment for participation in orientation or education sessions relevant to the adjudicative functions they perform.

COMMISSION MEMBERS

ANNE LA FOREST

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 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, was 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
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)

KENNETH SAVAGE

Residence: Fredericton

Mr. Savage is a Chartered Accountant and a Certified Financial Planner. Prior to Mr. Savage's retirement in 2005 as a partner from the accounting firm KPMG, he served in public practice for over 40 years. Mr. Savage is currently the 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

Anne La Forest, Ken Savage, David Barry, Harry Williamson, Sheldon Lee, Céline Trifts



COMMISSION MEMBERS

DAVID G. BARRY, Q.C.

Residence: Rothesay

Prior to joining the Commission, Mr. Barry was a senior partner in the law firm of Barry Spalding, practicing in the areas of corporate finance and securities, taxation and information technology. He was appointed Queens Counsel in 1991. Mr. Barry has been an active member of the Canadian Bar Association, the Saint John Law Society, the Law Society of New Brunswick and the Canadian Tax Foundation, and is an associate member of the American Bar Association. Community has played an important role throughout Mr. Barry's career and private life. Mr. Barry has acted in board leadership roles with the Saint John Board of Trade, Enterprise Saint John, New Brunswick Museum, Saint John Airport Inc., United Way of Greater Saint John, YM-YWCA Saint John and St. Joseph's Hospital Foundation.

Appointed: 1 July 2009

Term expires: 30 June 2014

Committees:

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

Professional and industry experience:

- Securities law
- Administrative law
- Corporate finance
- Information Technology
- Taxation

Education:

- B.Sc., Saint Francis Xavier University
- M.Sc., University of Alberta
- LLB, University of New Brunswick

HARRY H. WILLIAMSON, Q.C.

Residence: Bathurst

Mr. Williamson has been practicing 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 has been President of the Bathurst Rotary Club, a Director of the UNB Alumni Association and the Chairman of the Belledune Port Authority. He 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
- B.Ed., University of New Brunswick
- LLB, University of New Brunswick

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 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 as 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
- Business
- Management

Professional and industry experience:

CÉLINE TRIFTS

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: 29 June 2014

Committees:

- Human Resources and Governance (Chair)
- Adjudicative

Professional and industry experience:

- Business
- Education
- Management

Education:

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

COMMISSION MEMBERS – SUPPLEMENTARY MEMBERS

GUY G. COUTURIER, Q.C.

Residence: Dieppe

Mr. Couturier has practiced law for over 30 years and was appointed Queen's Counsel in 1998. He is the Alternate Chairperson of the Labour and Employment Board, a former Vice-chairperson of the Industrial Relations Board and the Canada Pension Review Tribunal. Mr. Couturier has been a guest lecturer for the Université de Moncton, the Bar Admission Course, the Institute of Canadian Bankers, the Canadian Bar Association and the Canadian Institute. He is a Member of the Law Society of New Brunswick, the Canadian Bar, l'Association des juristes d'expression française du Nouveau-Brunswick and the Canadian Labour Law Association. He is a member and participant in numerous community and charitable organizations.

Appointed: 18 September 2009
Term expires: 17 September 2010
Professional and industry experience:

- Administrative law
- Tribunal member

Education:

- BAA, Université de Moncton
- LLB, University of New Brunswick

DENISE A. LEBLANC, Q.C.

Residence: Moncton

Ms. LeBlanc has been practicing law for over 20 years and is a partner and Business Unit Leader 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 is an accredited arbitrator/adjudicator in the Society of Ontario Adjudicators and Regulators and is an adjudicator in the New Brunswick Small Claims Court as well as the Mental Health Act Tribunal. Ms. LeBlanc is president-elect of the Canadian Bar Association, New Brunswick Division, as well as a lecturer at the Bar Admission Course and the Faculty of Law of 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

JAMES E. LOCKYER, Q.C.

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 member and past President of the Law Society of New Brunswick. He is a member of the Canadian Bar Association. He was a member of the Legislative Assembly of New Brunswick and served as Attorney General and Minister of Justice. Professor Lockyer was recently named recipient of the American College of Trial Lawyers "Award of Merit" for his work with students in the field of trial and appellate advocacy as well as the Lieutenant Governor's Dialogue Award for New Brunswick. He is a former member of the Board of Directors of the Moncton Flight College.

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
- LL.M., London School of Economics and Political Science
- DEA, Université de Paris 1 (Panthéon Sorbonne)

ROBERT SHANNON

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
Resigned: 31 March 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

MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended 31 March 2010

Dated 21 June 2010

The following discussion and analysis provides a summary of the operating results for the New Brunswick Securities Commission for the year ended 31 March 2010. This review should be read in conjunction with the financial statements and accompanying notes.

In this Management Discussion and Analysis (MD&A), references to years, for example F2010, means the fiscal year ending 31 March 2010.

Assumptions made throughout this section, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining F2011 expectations are forward-looking and subject to risks and uncertainties.

OVERVIEW

The New Brunswick Securities Commission is a corporation without share capital. It was established under the New Brunswick *Securities Act* 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, it is exempt from income taxes. Commission operations are funded through fees paid by securities market participants.

The operational staff at the Commission maintains accounting and internal control systems to provide reasonable assurance that financial information is complete, reliable and accurate, and that assets are adequately protected. The Commission Members, in conjunction with the Audit Committee, have an oversight role regarding the integrity of the reported information.

The Commission budgets 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 F2010 exceeded the budgeted amount.

Selected Financial Information

	Budget F2010	Actual F2010	Actual F2009	Actual F2008
Revenue	\$10,720,500	\$11,543,942	\$11,244,220	\$10,818,368
Expense	5,515,820	5,151,230	5,095,168	4,371,032
Excess of revenue over expenses	5,204,680	6,392,712	6,149,052	6,447,336
Total assets		3,646,529	4,169,417	3,129,117
Total liabilities		752,204	2,202,661	741,031
Total funds' balance	1,706,293	2,894,325	1,966,756	2,388,086
Distributions to government	5,465,143	5,465,143	6,570,382	6,261,278

REVENUES

The Commission's 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.

Almost all revenue comes from fees paid by reporting issuers and registrants and relate primarily to capital raising activities and securities trading in New Brunswick.

In September, the Commission's Fee Rule was amended primarily as a result of the implementation of the new national registration rules. The intent of these changes was to harmonize the terminology between the Fee Rule and the registration rule. In addition, certain minor fees were eliminated. These include the \$25 fee for material change report filings, the \$100 fee for filing a Report of Exempt Distribution (non-investment funds) and the \$350 offering memorandum fee (non-investment fund). These changes were expected to reduce total revenue by about \$90,000 on an annual basis.

MANAGEMENT DISCUSSION AND ANALYSIS

The fee revenues fluctuate with market activity. The Commission is most dependent on fees paid by mutual funds to distribute securities and file their financial statements. Of the 4,053 reporting issuers in New Brunswick, about 2,651 or 65% are mutual fund issuers. Revenue generated by the mutual fund industry in the year included approximately: \$5.6 million from prospectus filings; \$0.5 million from financial statement filings and annual information forms; and \$0.9 million from MFDA members' registration fees. These fees total \$7.0 million or 61.5% of total fee revenue.

EXPENSES

Managing expenses over the fiscal year is important to the Commission. Various measures are taken to ensure fiscal responsibility, including:

- preparing an annual budget and strategic plan that is approved by the Commission Members;
- converting 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 and Commission Members;
- preparing quarterly financial forecasts for management and the Commission Members;
- requiring Commission Member approval of significant expenses or contracts; and
- continually improving processes.

Analysis of Total Revenue

Category	Description	F2010 Amount \$	F2010 % of Revenue	F2009 Amount \$
Distribution fees	Paid by securities issuers when filing distribution documents	6,421,950	55.6%	5,878,175
Distribution fees for F2010 are showing the most significant increase from F2009 (\$543,775 or 9.3%). These fees are primarily prospectuses filed by mutual funds and companies. Mutual fund filings comprise about 84% of the total. This fee source is based on a set fee for each filing and varies with market activity.				
Registration fees	Paid by individuals and firms to register with the Commission to sell or advise on securities	3,082,200	26.7	3,035,500
Registration fees show a 1.5% increase from F2009. The introduction of the new registration rules in September did not significantly impact registration revenue despite the fact that additional fees are no longer required for additional categories of registration. The Passport system and the new harmonized rules have facilitated registration between jurisdictions; it is easy and transparent.				
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms	1,830,250	15.9	1,806,625
Financial filing fees are up 1.3%. A set fee is paid for such filings as annual financial statements or annual information forms.				
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements	74,500	0.6	74,700
Other fees	Paid by market participants for late filing and other miscellaneous fees	30,584	0.3	40,044
Total fees		\$11,439,484	99.1%	\$10,835,044
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling	7,500	0.1	238,000
Administrative penalties and settlements are an unbudgeted revenue source and are subject to enforcement and hearing panel activity. There was one hearing panel decision that met the threshold of the revenue recognition policy during the year. Two other decisions totalling \$170,000 were not recognized. Receipts from administrative penalties are for the benefit of the Market Enhancement Reserve, which is described further on page 40.				
Disgorged funds	Paid subsequent to a hearing panel ruling	12,000	0.1	25,090
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling	1,000	0.0	34,000
Investment income	Earned on cash balances	10,198	0.1	84,846
Investment income is derived from a banking agreement and consequently, it generates modest returns (prime less 1.9%). Speculative investments are not made with surplus funds. Periodic and orderly distributions of surplus funds are made to the Government of New Brunswick.				
Miscellaneous income	Primarily conference fees	73,760	0.6	27,240
Miscellaneous revenue is primarily attributable to sponsorships and participant registration fees for <i>Fallsail</i> 2009 held 11 – 12 May.				
Total revenue		\$11,543,942	100.0%	\$11,244,220

MANAGEMENT DISCUSSION AND ANALYSIS

Expense Summary

	Actual versus budget				Actual versus last year			
	F2010	Budget	\$ Diff	% Diff	F2010	F2009	\$ Diff	% Diff
Salaries and benefits	\$ 3,405,761	\$ 3,697,800	\$ (292,039)	-7.9%	\$ 3,405,761	\$ 3,248,947	\$ 156,814	4.8%
Administration*	715,251	730,550	(15,299)	-2.1	715,251	935,880	(220,629)	-23.6
Market enhancement	239,535	232,040	7,495	3.2	239,535	57,030	182,505	320.0
Disgorged funds	12,000	-	12,000	100.0	12,000	25,090	(13,090)	-52.2
Professional services	169,427	239,500	(70,073)	-29.3	169,427	216,959	(47,532)	-21.9
Travel	177,633	175,200	2,433	1.4	177,633	190,082	(12,449)	-6.5
CSA initiatives	54,827	75,000	(20,173)	-26.9	54,827	50,164	4,663	9.3
Premises	277,676	267,530	10,146	3.8	277,676	260,488	17,188	6.6
Amortization	99,120	98,200	920	0.9	99,120	110,528	(11,408)	-10.3
	\$ 5,151,230	\$ 5,515,820	\$ (364,590)	-6.6%	\$ 5,151,230	\$ 5,095,168	\$ 56,062	1.1%

*See Note 14 of the financial statements for greater detail.

Expenses increased by 1.1% or about \$56,000 in F2010 to total \$5,151,230. This is \$364,590 (6.6%) less than the budgeted expense of \$5,515,820.

Salaries and benefits expenses account for 66.1% of operating costs (63.8% in F2009) and increased \$156,814 from F2009. Increases were the result of staff additions and annual salary increments. There was 36 staff on payroll at year-end (31 prior year) and on an annualized or “person-year” basis, there were 34.5 person-years of employment in F2010 (33.0 in F2009). Compensation was less than budget because of a vacancy of 1.5 positions from budget and because a budgeted cost of living adjustment was not implemented.

Administration expenses account for 13.9% of operating costs for F2010 (18.3% in F2009) and were \$220,629 lower than the prior year. These costs include information technology, training, communication, printing, advertising and other general office expense items, as well as some expenses for the *Fullsail* conference. The *Invest in Knowing More* campaign was the largest expense for this category

at \$172,173. These costs included the development and placement of television, radio, print, billboard and bus shelter advertisements. *Fullsail* conference expenses incurred in the fiscal year were \$208,814 with most of the expense paid from the Market Enhancement Reserve. Information technology costs were \$137,139 during the period, which were used for network support, data security and back-up, website costs and software licenses.

The Market Enhancement Reserve is discussed in detail on page 40. During the year, \$193,040 was used from the reserve for *Fullsail* expenses and an additional \$46,495 was used for the *ABC's of Fraud* program.

Disgorged funds represent money recovered from individuals or companies arising from an enforcement action. This money is turned over to specific investors that were financially harmed by those found to have violated the *Securities Act*. In this case, \$12,000 was expensed to be provided to eight investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Professional services expenses decreased by \$47,532 year over year. A capital markets study was the largest expense item for this category (\$80,495). Other initiatives that had associated fees were translation, legal and transcription expenses.

Travel costs were \$12,449 lower than the prior year and represented 3.5% of expenses. Travel was primarily related to attendance at policy and other regulatory meetings of partners of the Canadian Securities Administrators (CSA), and for training purposes.

CSA initiatives expenses were up \$4,463 from the prior year to total \$54,827 in F2010. 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. The Commission pays about 2.2% of the total costs as its share.

Premise costs increased by about \$17,188 (6.6%). This represents 5.4% of total expenses. The increase in premise costs was primarily attributable to parking and operating cost chargeback increases. The office lease expires in February 2016.

Amortization expenses decreased by \$11,408. The largest depreciable asset involves leasehold improvements, which are being amortized over ten years for the original space and about eight years for the additional space acquired in F2009. This accounts for about 56% (\$55,916) of the total expense. Furniture, information technology hardware, information technology software and vehicle assets make up the remainder of the amortization expense.

Market Enhancement Reserve

This is the fourth year that funds have been transferred from the Market Enhancement Reserve towards eligible expenses. As required by the *Securities Act*, funds in the Market Enhancement Reserve are to be spent only on endeavours or activities that enhance the capital markets in New Brunswick. In F2010, *Fullsail* and the *ABC's of Fraud* were funded from the reserve (\$239,535).

The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In F2010, administrative penalties totalling \$7,500 were assessed and determined to be collectible (\$238,000 in F2009). A further \$170,000 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

The Commission made total payments of \$5,465,143 to the Government of New Brunswick during the year. The payment amount is calculated annually and is included in the Commission's strategic business plan. The total contribution included a budgeted amount of \$5,250,000 as well as an additional \$215,143 that represents the balance of the general surplus as at 31 March 2009. The contribution is payable each year provided that doing so does not impair the ability to pay liabilities, meet obligations as they become due or fulfill contractual commitments. Since the Commission was established in July 2004, contributions of \$33,611,398 have been made to the Government of New Brunswick.

LIQUIDITY AND FINANCIAL POSITION

The Commission has sufficient liquidity to finance its operations and capital purchases. During the fiscal year, the net increase in cash prior to the disposition of surplus operating funds was \$5,074,207. The combined cash balance at year end was \$3,211,073. This includes amounts from the Commission's reserves.

The Commission maintains a Fee Stabilization Reserve. The maximum value of the reserve was maintained at \$1,500,000. The Fee Stabilization Reserve allows the Commission to maintain an operating contingency to absorb revenue shortfalls or unexpected expenditures. Revenue generated from the reserve is moved into general operations. The reserve was fully funded at year end.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

Operational and Infrastructure Risk

The Commission is 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. There is also the risk that computer or telecommunications systems could fail, despite efforts to maintain these systems in good working order. Shortcomings or failures of internal processes, employees or systems, including financial, accounting or other data processing systems, could lead to financial loss and damage to the Commission's reputation. The ability to conduct business may be adversely affected by a disruption in the infrastructure that supports operations and the communities in which we do business.

The Commission has 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;
- a strong internal control environment;
- an annual review of internal controls and legislative compliance;
- an annual review of risks facing the Commission; 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

The Commission actively manages its reputational risk through its corporate governance practices, a code of conduct and risk management practices. The activities of communications staff and General Counsel's office are key participants in managing reputation risk.

People Risk

As a knowledge-based entity, the Commission's ability to attract and retain people is critical to its success. A range of measures are tracked (e.g., turnover and compensation surveys) to manage this risk. Knowledge management is a key focus and initiatives are continually pursued to improve the ability to retain corporate memory and to ensure effective knowledge transfer.

Securities Regulatory Reform

The implications of the federal government initiative to establish a single securities regulator in Canada represents a source of uncertainty and could have a material impact on the Commission's operations.

Fee Revenue

The Commission funds operations primarily from filing fees paid by market participants. Fee revenue is generally not sensitive to market conditions. The Fee Schedule was amended in September to harmonize terminology with the new registration rules. Certain minor fees were also eliminated at that time.

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.

Over 98% of fee revenue is collected through SEDAR and NRD. CDS maintains a comprehensive business continuity plan for each system and the CSA requires an "Auditors' Report on Controls Placed in Operation" (CICA Handbook section 5970). 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Commission accrues amounts due when they meet generally accepted revenue recognition criteria. During the fiscal period F2010, a total of \$170,000 of administrative penalties, \$122,910 in disgorgement orders and \$2,000 in awarded costs were not recognized as revenue as the amounts appeared to be uncollectible.

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 F2010 that would materially impact our statements.

Canadian publicly accountable enterprises must adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after 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 Commission intends to use IFRS standards for its financial reporting for the F2012 fiscal year over the alternative public sector accounting standards.

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 transition to IFRS is not expected to materially impact the Commission's financial statements in terms of adjustments, although, there are generally more extensive presentation and disclosure requirements under IFRS compared to existing Canadian GAAP.

F2011 OUTLOOK

Budgeted revenue is \$11.12 million for F2011. This represents a decrease of about 3.6% from F2010 actual revenue of \$11.54 million. This decrease is primarily the result of a conservative budgeting approach, not budgeting for enforcement revenue, the elimination of certain revenue categories which was implemented mid-way through F2010 and the approximate five month lag between the development of the F2011 budget, and the close of the F2010 fiscal year.

Operating expenses are budgeted to be \$5.46 million for F2011. This represents an increase of \$0.3 million over F2010 actual expenses. This increase is primarily attributable to salary and benefit increases, including future benefit accruals. The Commission did not implement a cost of living increment on 1 April 2010. Most employees were eligible for a step increase, however. One new position was also budgeted.

The budgeted subsequent surplus for F2011 is about \$400,000, after the budgeted contribution of \$5.25 million to the Government of New Brunswick. This contribution is the same as the budgeted amount in the prior year.

MD&A SUPPLEMENT - COMPENSATION DISCLOSURE Senior Management Remuneration

Senior Management includes the Executive Director and the four division heads. Their compensation and benefits are determined by the Commission based on the advice from an independent consultant. In addition to salary, senior management receives the same employment benefits received by all staff which include health, dental and life insurance, pension, leave, and parking.

Position	Salary range (\$)
Executive Director	108,791 -136,213
General Counsel and Secretary to the Commission	108,791 -136,213
Director, Regulatory Affairs and Chief Financial Officer	108,791 -136,213
Director, Enforcement	93,236 -116,546
Director, Education and Market Development	93,236 -116,546

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"

David G. Barry, Q.C.
Chair and Chief Executive Officer

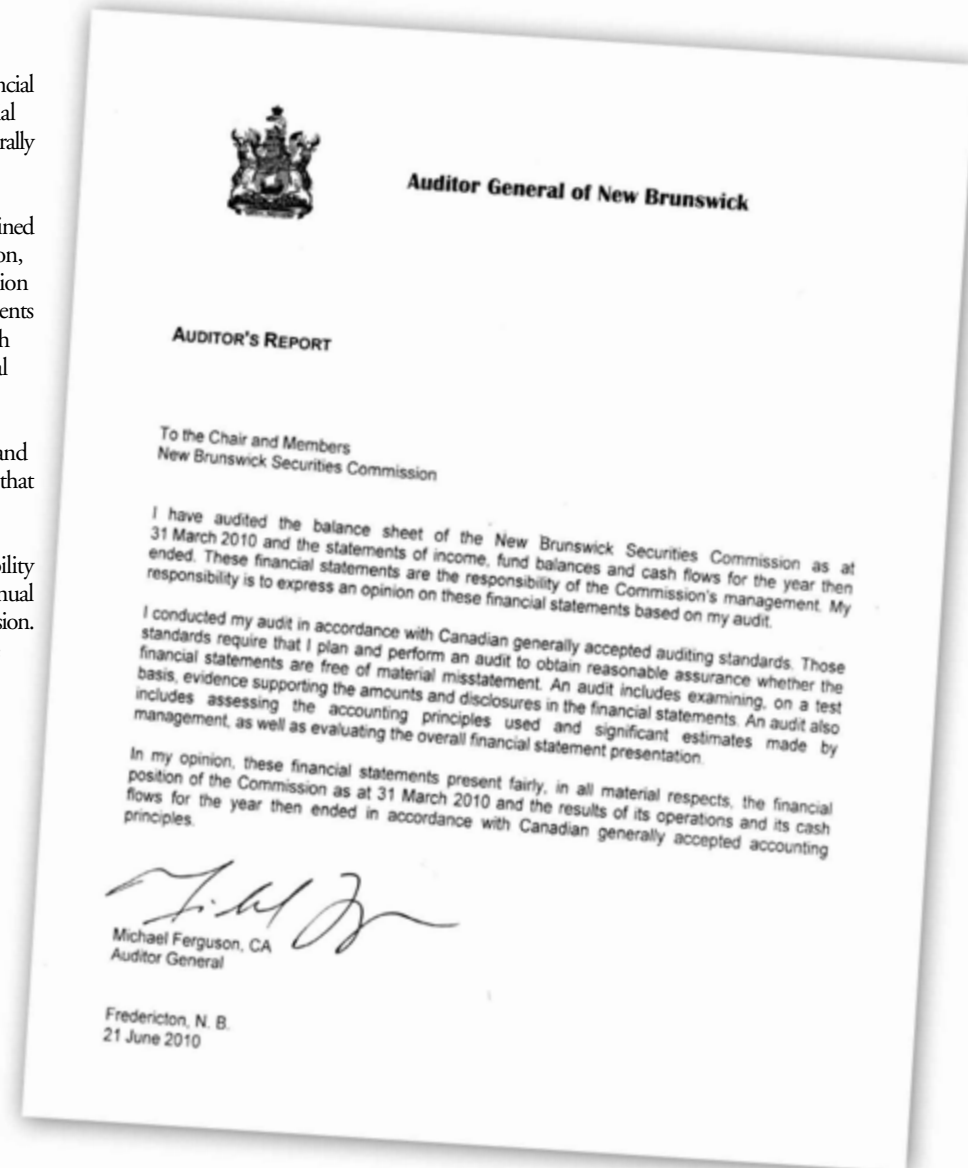
"original signed by"

Kenrick G. Hancox
Executive Director

"original signed by"

Kevin Hoyt
Director, Regulatory Affairs and Chief Financial Officer

21 June 2010



BALANCE SHEET

As at 31 March 2010

	2010	2009
ASSETS		
Current Assets		
Cash (Note 6)	\$ 1,691,082	\$ 1,851,396
Accounts receivable	53,607	39,874
Prepaid expenses	57,934	113,757
	1,802,623	2,005,027
Investments held for designated purposes (Note 6)	1,519,992	1,750,613
Capital assets (Note 8)	323,915	413,777
	\$ 3,646,530	\$ 4,169,417
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 176,623	\$ 1,532,817
Accrued salaries and benefits	168,570	143,092
Accrued benefit liabilities (Note 11)	15,651	179,431
Accrued vacation liabilities	25,144	29,635
	385,988	1,884,975
Accrued benefit liabilities (Note 11)	366,217	317,686
Total liabilities	\$ 752,205	\$ 2,202,661
Fund balances		
General	\$ 1,374,333	\$ 215,143
Fee stabilization reserve (Note 7)	1,500,000	1,500,000
Market enhancement reserve (Note 7)	19,992	251,613
	\$ 2,894,325	\$ 1,966,756
	\$ 3,646,530	\$ 4,169,417

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

APPROVED BY THE COMMISSION

“original signed by”

David G. Barry
Chair and Chief Executive Officer

“original signed by”

Kenneth Savage
Chair, Audit Committee

INCOME STATEMENT

For the year ended 31 March 2010

	2010	2009
REVENUE		
Fees		
Distribution of securities	\$ 6,421,950	\$ 5,878,175
Registrations	3,082,200	3,035,500
Financial filings	1,830,250	1,806,625
Exemptions and orders	74,500	74,700
Other	30,584	40,044
Administrative penalties and settlements	7,500	238,000
Disgorged funds	12,000	25,090
Enforcement cost recoveries	1,000	34,000
Investment income	10,198	84,846
Miscellaneous	73,760	27,240
	\$ 11,543,942	\$ 11,244,220
EXPENSES		
Salaries and benefits	\$ 3,405,761	\$ 3,248,947
Administration (Note 14)	715,251	935,880
Market enhancement (Note 15)	239,535	57,030
Disgorged funds	12,000	25,090
Professional services	169,427	216,959
Travel	177,633	190,082
Canadian Securities Administrators' initiatives	54,827	50,164
Premises	277,676	260,488
Amortization	99,120	110,528
	\$ 5,151,230	\$ 5,095,168
EXCESS OF REVENUE OVER EXPENSES	\$ 6,392,712	\$ 6,149,052

STATEMENT OF FUND BALANCES

For the year ended 31 March 2010

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Disgorged funds	Total
Balance, 31 March 2009	\$ 215,143	\$1,500,000	\$ 251,613	\$ -	\$1,966,756
Excess of revenue over expenses	6,392,712	-	-	-	6,392,712
Disposition of surplus operating funds (Note 9)	(5,465,143)	-	-	-	(5,465,143)
Investment income reallocation	(414)	-	414	-	-
Allocation (to) reserves (Note 7)	(19,500)	-	7,500	12,000	-
Allocation from reserves (Note 7)	251,535	-	(239,535)	(12,000)	-
Balance, 31 March 2010	\$1,374,333	\$1,500,000	\$ 19,992	\$ -	\$2,894,325

STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,392,712	\$ 6,149,052
Adjustment for amortization - capital assets	99,120	110,528
Accrued benefit liabilities	48,531	(74,805)
Gain on disposal of capital asset	(1,766)	-
	<u>\$ 6,538,597</u>	<u>\$ 6,184,775</u>
Changes in non-cash working capital		
Accounts receivable	(13,733)	(2,378)
Prepaid expenses	55,823	(41,528)
Accounts payable and accrued liabilities	(1,356,194)	1,346,074
Accrued salaries and benefits	25,478	18,184
Accrued vacation liabilities	(4,491)	(7,255)
Accrued benefit liabilities	(163,780)	179,431
	<u>\$ 5,081,700</u>	<u>\$ 7,677,303</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(5,465,143)	(6,570,382)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(14,558)	(166,411)
Proceeds on disposal of capital asset	7,066	-
	<u>\$ (7,492)</u>	<u>\$ (166,411)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(390,935)</u>	<u>940,510</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,602,009</u>	<u>2,661,499</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,211,074</u>	<u>\$ 3,602,009</u>
Represented by:		
Cash	\$ 1,691,082	\$ 1,851,396
Investments held for designated purposes	1,519,992	1,750,613
	<u>\$ 3,211,074</u>	<u>\$ 3,602,009</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 (GAAP). 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) Financial instruments and disclosures

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.

(e) Financial assets and liabilities

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

I. Cash is 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 less appropriate allowances for doubtful accounts, if any.

III. Accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities and conference 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.

(f) New Canadian accounting standards effective in 2011 and beyond

International Financial Reporting Standards (IFRS)

The conversion to IFRS will be required, for the Commission, for its 2012 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 Accounting Standards Board (AcSB) will continue to issue accounting standards that are converged with IFRS.

The Commission has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP, and has not identified the need for material accounting adjustments in order to become IFRS compliant.

3. Financial Risk Management

Financial risk factors

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

The Commission's financial assets that are exposed to credit risk consist of cash, investments held for designated purposes and accounts receivable. This risk is minimal since the majority of the Commission's revenue is received when due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Liquidity risk

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

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.

4. Capital management

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.

5. Financial Instruments

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature and negligible credit losses.

Canadian GAAP requires additional disclosure requirements about fair value measurement for financial instruments. These requirements include a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The only financial instruments recorded at fair value on the balance sheet are cash which is classified as Level 1.

6. 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. The amounts attributable to the fee stabilization reserve and market enhancement reserve have been disclosed on the balance sheet as investments held for designated purposes.

7. 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 2010

8. Capital assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 145,137	\$ 116,242	\$ 28,895	\$ 45,024
Information technology infrastructure	104,236	97,316	6,920	14,270
Software	11,780	11,780	0	1,945
Automobile	34,086	25,563	8,523	17,044
Leasehold improvements	508,564	228,987	279,577	335,494
	\$ 803,803	\$ 479,888	\$ 323,915	\$ 413,777

9. 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*.

10. 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 2010 amounted to \$1,494,796. 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:

2010-2011	\$ 244,956
2011-2012	257,366
2012-2013	253,906
2013-2014	253,214
2014-2015	253,214
Thereafter	232,113
Total	\$ 1,494,769

(b) Legal actions

The Commission has been named as a defendant in one statement of claim. The outcome and ultimate disposition of this action is not yet determinable. However, management does not expect the outcome to have a material impact on the Commission's financial position. A payment, if any, concerning this contingency will be accounted for in the period in which the payment occurs.

11. Employee future benefits

(a) Pension plan

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation Plan (the "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. For the year ended 31 March 2010, the Commission expensed contributions of \$216,337 (\$208,028 in 2009) under the terms of the Plan.

b) Supplemental Pension Benefit

A retired Chief Executive Officer receives a supplemental pension benefit whereby supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity and payments are made as they become due. For the year ended 31 March 2010, the Commission expensed \$9,985 (\$63,354 in 2009) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$11,674 (\$nil in 2009).

c) Retiring Allowances

The Commission has an unfunded retirement allowance program for employees with five or more years of continuous employment. This benefit is unfunded as no assets have been set aside in a separate legal entity and payments are made as they become due, which is upon 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. 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. For the year ended 31 March 2010, the Commission expensed \$54,229 for this program (2009 - \$41,271) and paid out benefits of \$167,788 (\$nil in 2009).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Senior management compensation

Position	Salary range (\$)
Chair and Chief Executive Officer	Up to 175,000
Executive Director	108,791 – 136,213
General Counsel and Secretary to the Commission	108,791 – 136,213
Director, Regulatory Affairs and Chief Financial Officer	108,791 – 136,213
Director, Enforcement	93,236 – 116,546
Director, Education and Market Development	93,236 – 116,546

13. 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 \$128,993 (\$122,736 in 2009) during the reporting period on these services. As of 31 March 2010 an accounts payable of \$57,358 (\$24,547 in 2009) 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 \$29,748 (\$29,848 in 2009) of translation services was provided without charge to the Commission. Total expenditures during the period were \$19,024 (\$47,151 in 2009). As of 31 March 2010 an accounts payable of \$2,340 (\$7,427 in 2009) 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.

14. Administration

	2010	2009
Fostering capital markets	\$ 11,773	\$ 180,725
Investor protection and education	294,940	326,685
Members and staff development	104,392	146,692
Payment to Department of Justice and Consumer Affairs under Agreement	30,000	30,000
Information technology	137,139	118,508
Other administration	137,007	133,270
	<hr/>	<hr/>
	\$ 715,251	\$ 935,880

15. Market enhancement

Contribution for <i>ABC's of Fraud</i>	\$ 46,495	\$ 57,030
<i>Fullsail</i>	193,040	-
	<hr/>	<hr/>
	\$ 239,535	\$ 57,030