

PUTTING NEW BRUNSWICK INVESTORS **FIRST**

2011 | 2012
ANNUAL REPORT



NEW BRUNSWICK
SECURITIES COMMISSION

COMMISSION DES
VALEURS MOBILIÈRES
DU NOUVEAU-BRUNSWICK



SOUND INVESTING | CONFIDENT MARKETS

TRANSMITTAL LETTER

30 June 2012

The Honourable Marie-Claude Blais
Minister of Justice and Attorney General
Province of New Brunswick

Dear Minister Blais,

I am pleased to deliver to you the Annual Report of the New Brunswick Securities Commission for the fiscal year 1 April 2011 to 31 March 2012 for submission to the Legislative Assembly of New Brunswick.

The Annual Report outlines the operational and business results of the Commission's efforts to achieve its mandate. Our organization is committed to providing protection to investors from unfair, improper or fraudulent practices, and to fostering fair and efficient capital markets and confidence in those markets here in New Brunswick.

Respectfully submitted,

" Original signed by "

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

ANNUAL REPORT
2011|2012

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30 JUNE 2012

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NEW BRUNSWICK
SECURITIES COMMISSION

COMMISSION DES
VALEURS MOBILIÈRES
DU NOUVEAU-BRUNSWICK



*We held discussions
with investors
around the province
to listen to what is
important to them.*

REACHING OUT TO NEW BRUNSWICKERS

Our [Invest in Knowing More](#) advertising campaign has generated measurable results in trying to reach our goal of raising awareness that the NBSC exists and that we are here to help.

We launched the New Brunswick version of [Fraud Scene Investigator](#) (FSI), an investor education comic book-style website.

We launched [I'm Worth It!](#) at the International Women's Day conference. [I'm Worth It!](#) helps women feel more confident talking about money, and prepares them for some of the financial challenges life throws at them.

ESTABLISHING COMPLIANCE

Our compliance officers participated in two [Mutual Fund Dealers Association](#) joint compliance reviews in our province as well as two issue-specific compliance reviews.

A questionnaire was sent out to [Investment Industry Regulatory Organization of Canada](#) member firms with offices in New Brunswick to gain a better understanding of the types of sophisticated products and services IIROC dealers are offering to the public.

As an active member of the [Canadian Securities Administrators'](#) Continuous Disclosure Committee, we participated in a targeted review of reporting issuer first quarter filings as a result of implementing [International Financial Reporting Standards](#) throughout Canada.

*We were principal regulator on the
review of three prospectuses.
The total amount raised by these
New Brunswick companies was
approximately \$110,000,000.*

2011-2012 HIGHLIGHTS

ENFORCING SECURITIES LAWS

Our enforcement, education and communications staff work together to identify ways to be proactive in warning the public about emerging scams and potential issues.

In 2011-2012, illegal distribution of securities accounted for 70 per cent of enforcement activity.

Since 2005, the Commission has issued orders for \$3,011,219 in administrative penalties, \$143,108 in costs, \$3,600 in fees and ordered that \$215,600 be returned to investors through the disgorgement of funds to the Commission.

Fifty per cent of enforcement activity in 2011-2012 came about as a result of residents reporting their concerns.

RULES THAT PROTECT

As part of the [Canadian Securities Administrators'](#) Derivatives Committee, we are liaising with foreign regulators to develop rules that adhere to internationally accepted standards.

To assist unrepresented parties navigate their way through the Commission's hearing process, we developed a special guide.

We consulted with stakeholders, including investors, issuers, dealers, and legal and other advisers to help us identify issues during the CSA's review of [Minimum Amount and Accredited Investor Exemptions](#).

FOSTERING THE CAPITAL MARKETS

We conducted a research project using 2010 capital markets statistics to expand on the Key Performance Indicators and created a [Capital Markets Performance Dashboard](#).

The exempt markets and venture capital play a significant role in our capital markets. Because of this, we delivered our [Learning the Ropes](#) educational series on how to use the exempt market as a way to raise capital.

We support the capital markets development activities of many organizations throughout the province. We offered presentations on raising capital and acted as a judge at various business plan competitions or student-lead initiatives.

As a result of feedback from our capital markets stakeholders, we offered our signature Fillsail capital markets event as a series of [webinars](#).

A MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



These first three years with the Commission have been very eventful. Within the first few weeks of joining the Commission in July of 2009 the federal government announced its decision to establish a single national securities regulator and tabled legislation to create the [Canadian Securities Transition Office](#) (CSTO).

The CSTO engaged with interested provinces and territories and drafted legislation to create a single regulator. The legislation was tabled in Parliament and referred to the Supreme Court of Canada (SCC) to determine its constitutionality.

The SCC heard the federal reference in April 2011. On 22 December 2011, it delivered its decision finding that the proposed legislation was outside the legislative jurisdiction of the federal government.

The SCC decision determined that securities regulation was largely provincial jurisdiction but recognized that the federal government could legislate in the areas of systemic risk and derivatives. As a result, the federal government has started an initiative that it has indicated would not infringe on the powers of the provinces and territories yet still allow for a national framework. What that might be remains to be seen.

While government considers the SCC decision and its implications, as well as the new federal initiative, the Commission continues to be responsible for securities regulation in New Brunswick.

[Biography: David G. Barry, Q.C., Chair and Chief Executive Officer](#)

A MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

We are also continuing to contribute to the coordination of securities regulation in Canada through our participation with the [Canadian Securities Administrators](#) (CSA). The CSA steer the coordination and harmonization of securities regulation across Canada.

Although a small jurisdiction, Commission staff are active members of more than 30 committees. In addition:

- I participate in conference calls regularly with other CSA Chairs to address current issues and exchange information;
- Our Executive Director and I meet with our provincial and territorial counterparts quarterly to address national and international operational and regulatory concerns;
- Our Director of Enforcement is the Chair of the CSA Enforcement Committee; and
- I am Vice Chair of the CSA and the lead member representing the CSA on the National Joint Forum of Financial Market Regulators.

We are also members of the [North American Securities Administrators Association](#) (NASAA) and the [Council of Securities Administrators of the Americas](#) (COSRA). NASAA's membership consists of all state, provincial and territorial securities administrators in the US, Canada and Mexico. COSRA is a forum for securities regulators in North, South and Central America, as well as the Caribbean. It currently has 36 members representing 30 countries.

Our enforcement staff contribute to CSA and NASAA initiatives to improve information sharing and the use of technology to combat investment fraud. Our Executive Director is the Secretary of the NASAA board and our Education Coordinator is the Vice Chair of the NASAA Education Committee. These are no small achievements when you consider the size of our province.

The CSA extends its influence internationally through the membership of its larger Commissions in the [International Organization of Securities Commissions](#) (IOSCO). IOSCO has members from over 100 different jurisdictions regulating more than 90 per cent of the world's capital markets. IOSCO's role is to promote high standards of regulation and to be a forum for securities regulators to exchange information. It has become even more important and active as a result of the 2008 financial crisis.

When the G20 countries assumed responsibility to address the causes of the 2008 crisis they entered into agreements and issued directives that have placed significant demands on financial services and securities regulators. The securities regulators of the G20 countries, with IOSCO as the conduit, assumed responsibility for responding to the G20 directives and harmonizing internationally the regulatory response. The CSA has committees developing Canada's response to many issues. We are active on many of these committees.

I am proud of the contributions that [our staff](#) make toward improving provincial, national and international securities regulation. I thank them for the energy and passion they continue to demonstrate in meeting our mandate. I also want to thank our [Commission Members](#) for their support and substantial efforts in governing the Commission, in directing policy and in meeting their adjudication responsibilities. Together, we continue to do our best to protect New Brunswick investors and improve our capital markets.

"Original signed by"

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

ABOUT THE NBSC

The New Brunswick Securities Commission is an independent self-funded Crown corporation that administers and enforces the New Brunswick [Securities Act](#). Our mandate is to protect investors and to promote the development of capital markets by executing our core business functions.

We make rules that govern the securities market and investment activities to support vibrant capital markets and to ensure effective investor protection.

We administer a rigorous registration system for those that trade and advise in securities and ensure compliance with the rules and regulations that govern their conduct.

We enforce the [Securities Act](#) and ensure those who violate securities laws are held accountable. To prevent harm and deter further fraudulent or inappropriate activity, our tribunal can impose sanctions, including financial penalties.

We provide educational resources for investors to help them make informed investment decisions and to help them recognize, avoid and report investment fraud. Our educational material also helps market participants understand how to access and operate in New Brunswick's capital markets.

We foster the development and growth of the capital markets to improve access to capital for New Brunswick's new and growing companies.

WHAT'S IMPORTANT TO US

To advance the interests of New Brunswick investors by:

- recognizing we must serve the interests of these investors;
- understanding the issues and challenges faced by these investors;
- focusing educational campaigns on these investors' needs;
- upholding an enforcement orientation responsive to these investors;
- advancing the interests of these investors in our work with our regulatory partners;
- partnering with key stakeholders on initiatives that help advance our mandate; and
- encouraging self-regulatory organizations and other associations related to the investment industry to meet their accountability obligations toward these investors.

To support the development of New Brunswick capital markets by:

- recognizing we must serve New Brunswick's issuers and markets;
- continuing research and consultation on capital markets issues;
- enhancing access to capital through education and capital markets infrastructure development;
- providing knowledgeable advice on securities-related issues to policy makers;
- advancing the interests of local issuers and capital markets participants in our work with our regulatory partners; and
- partnering with key stakeholders on initiatives that help advance our mandate.

VISION

A confident, dynamic and informed investment environment for New Brunswick

VALUES

Leadership - *we adhere to best practices and high standards to ensure regulatory and organizational excellence.*

Integrity - *we are fair, ethical, transparent and accountable for our actions.*

Responsiveness - *we provide proactive, efficient and timely services to our stakeholders.*

Commitment - *we invest in our staff by encouraging innovation and developing expertise, leadership and collaborative teamwork.*

MANDATE

Our legislative mandate is to:

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

A MESSAGE FROM THE EXECUTIVE DIRECTOR



It's always a challenge to sum up the year with one theme given the breadth of the work that we do. For the Commission, this year could be best characterized as a year of engagement and education.

One of my priorities in 2011 was interacting with our stakeholders; whether it was meeting with our registrants, investors, associated professionals, policy makers or our regulatory partners.

Listening to New Brunswick investors is critical to our success. This year we moved that bar higher by beginning a series of engagements with current and future New Brunswick investors. What we learn from investors helps us shape our future initiatives and programs.

This year, we asked our capital markets stakeholders how they would like to interact with us and what topics they were most interested in addressing. Using their feedback, we connected with New Brunswick capital markets stakeholders through electronic media and in particular, through our *Fullsail* webinar series.

We hosted three webinars this year tied to our priority of improving access to capital in New Brunswick. The webinars covered Angel Investing, How to Improve Access to Capital, and How To Be Investment Ready. These live interactive webinars featured high-profile speakers and respected moderators. We were encouraged by the level of participation. The webinars will remain on our website and are accessible to entrepreneurs and business owners.

[Biography: Rick Hancox, Executive Director](#)

A MESSAGE FROM THE EXECUTIVE DIRECTOR

We constantly strive to find an appropriate balance between investor protection and the regulatory framework that meets our need to provide efficient capital raising options in our capital markets. To address this issue, the CSA announced a review of the \$150,000 minimum amount prospectus exemption and the accredited investor prospectus exemption in November 2011. The purpose was to determine if these exemptions continue to meet the needs of market participants. We consulted with various stakeholders in the province, including investors, issuers and registrants. Their feedback will be brought forward in CSA discussions on how best to improve the exemptions for New Brunswick and Canadian market participants.

Education continues to be an important tool to help create informed investors. This year we launched a new program on International Women's Day called [I'm Worth It!](#) This program, based on one created by The Manitoba Securities Commission, is aimed at helping women take charge of their money. We have paired the [I'm Worth It!](#) presentation with engagements to learn more from our audience about their particular investing needs.

We launched a second education program this year called [Fraud Scene Investigator](#) (FSI). FSI is a product of our partnership with NASAA and educates viewers about investment terms and processes as well as the red flags of fraud. This online program is unique as it presents this information in an interactive comic book-style, making it attractive to both young and old.

We extended the length and reach of our [Invest in Knowing More](#) (IKM) media awareness campaign this year by pairing our online and television campaigns with radio. Our annual IKM survey confirmed that more and more New Brunswickers are aware that a securities regulator exists. Even though 46 per cent share that awareness (up from 41 per cent last year), we still have lots of work to do.

Reporting suspicious investment activity early is vital to preventing further harm. Illegal distributions, the offering or sale of securities without being registered or without providing the proper disclosure to investors, dominated our enforcement actions this year. Educating investors goes a long way to prevent New Brunswickers from falling victim to this type of illegal investment activity. We have resources to assist investors in knowing how to recognize the red flags of fraud, avoid being a victim, and report suspicious activity.

In December 2011, the New Brunswick Legislature passed amendments to strengthen the [Securities Act](#) that included the oversight of auditor oversight bodies and the regulation of credit rating agencies. We believe these will translate into better protection for all New Brunswick investors.

Our work at the Commission is diverse and specialized. I would like to thank our highly-skilled [staff](#) for their commitment and passion. This team is dedicated to protecting investors and developing our capital markets.

“Original signed by”

Kenrick G. Hancox
Executive Director

LISTENING

HELPING US UNDERSTAND

We know that in order to advance the interests of New Brunswick investors, we need to understand the issues and challenges they face. By listening, we learn what New Brunswickers are thinking.

This year, we held a series of discussions with investors around the province to listen to what is important to them. During these conversations we wanted to learn from their experience in the current investing environment. We asked questions like: What issues are they facing? What experiences inform their investment decisions? What are their perceived barriers to investing?

By having this understanding, we can tailor our initiatives, programs and services to meet their needs.



WHAT INVESTORS ARE TELLING US:

"It can be intimidating to ask for any help, when you aren't even sure what you're asking."

"How do you choose an adviser and what does that relationship look like?"

"I have a good investment adviser; he wants me to ask questions and he takes the time to explain. I say, don't worry about it, I trust you and he says, don't trust me – ask me questions, make sure you understand."

"My daughter believed my bank card was magic and could buy anything. I had to explain to her the card is paid for with money. She was able to understand the idea of budgeting and saving for the future. But are all parents comfortable talking to kids about money?"

"Some people go to their financial institutions to learn more about their investments, but there's a conflict of interest when that same organization is trying to sell you something. Independent education and information is essential."

WE ARE HERE TO HELP

Meet Sara Ritchie, Investor Services Coordinator



Sara has worked in the financial services industry for 14 years where she provided financial advice to clients, sold investments, in addition to working in a communications and sales support role.

In her role as Investor Services Coordinator, Sara plans, develops, delivers as well as facilitates investor outreach programs. She is here to listen to New Brunswickers. She helps investors understand the options available to resolve their investment-related complaints and she guides them through the process.

Her previous experience gives her an appreciation for the diverse needs of investors. Sara's knowledge and exposure to industry operations provide her with a unique perspective, which makes her a great resource to New Brunswick investors.

CONTACT SARA

Call 1 866 933-2222 or email: information@nbsc-cvmnb.ca

REACHING OUT TO NEW BRUNSWICKERS

COMMUNICATING

CREATING AWARENESS

New Brunswick investors are becoming more aware. Our [Invest in Knowing More](#) (IKM) investor protection awareness media campaign informs investors that investment fraud happens here and how to avoid falling for the fraud. Our campaign has generated measurable results in trying to reach our goal of raising awareness that the NBSC exists and that we are here to help. We are however, still working on our goal to encourage New Brunswickers to report investment fraud to us.

We reach out to New Brunswickers in different ways. We run television and Internet advertisements throughout the year. This year we included radio advertisements in our campaign.



Staff members
Chelsea Cusack and
Brian Maude
recording the
[Invest in Knowing More](#)
radio advertisement.

In addition to our IKM efforts, we spread the fraud prevention message in our investor education promotions, which were expanded this year through social media on Facebook and Twitter.



[4NBInvestors](#)



[4NBInvestors](#)



Jane Kindred @jkindred915

28 Oct

I have \$\$ automatically transferred from my chequing to savings account the day after every pay day. #4NBInvestors @4NBInvestors



Barb C @barbbarbbarb

7 Oct

@4nbinvestors Money saving tip: I just purchased an additional CSB - It comes directly off my pay so I don't even notice! #4NBInvestors

REACHING OUT TO NEW BRUNSWICKERS

EDUCATING

Financial literacy plays an important role in helping people achieve economic independence. We believe that improved financial literacy will help New Brunswickers manage their money better and live a better quality of life. We are working with several educators, financial institutions and service agencies to improve the level of financial literacy in New Brunswick. We hope by working together existing organizations can leverage their programs and services to achieve this goal.

GUIDING THE WAY

Meet Marissa Rignanesi, Education Coordinator



Marissa plans, develops, markets, delivers and evaluates the Commission's educational and outreach programs for the general public, youth, investors, government and other stakeholders. In a nut shell, Marissa is the investor education voice of the Commission (especially on our social media profiles) and she knows a lot about educating people on how to be an informed investor.

Marissa gets all this knowledge from her active participation on national and international investor education committees including the CSA and NASAA.

Marissa completed her BBA with a major in e-commerce in 2004 at the University of New Brunswick in Saint John and at l'École Supérieure de Commerce et Management in Poitiers, France.

CONTACT MARISSA

Call 1 866 933-2222 or email marissa.rignanesi@nbsc-cvmnb.ca

REACHING OUT TO NEW BRUNSWICKERS



13 Schools



23 Teachers

[One Classroom
at a time]



570+ Students



New Brunswickers
that are better
prepared to make
financial decisions
and creating
informed investors in
the future

LEARNING MADE FUN

How do you make learning about money and finances fun? You create a comic book that sneaks in money management lessons!

We were excited to launch the New Brunswick version of [Fraud Scene Investigator](#) (FSI) during Fraud Prevention Month in March. FSI is an investor education comic book-style website. It can be used in the classroom as well as at home. This is an interactive learning experience that we adapted from a program created by members of the North American Securities Administrators Association.



FSI TEACHES HOW TO:

- ✓ *Understand an investment account statement.*
- ✓ *Search the Internet for corporate information.*
- ✓ *Examine a company's stock chart and trading activity.*
- ✓ *Evaluate a company's balance sheet, cash flow statement and income statement.*
- ✓ *Identify investing terms.*
- ✓ *Research an investment firm or individual financial dealer or adviser.*
- ✓ *Use provincial securities regulator services.*
- ✓ *Describe consumer fraud tactics.*
- ✓ *Identify a common investment scam.*

Marissa gives presentations on money management to students at all grade levels in both English and French. She tailors these presentations to each class and ties them to specific curriculum outcomes so students can meet their learning goals in a fun way. The interactive presentations include activities that get students thinking. In addition to making money relevant to what students are learning, Marissa teaches them life skills that will help them make better money decisions every day.

REACHING OUT TO NEW BRUNSWICKERS

We are working with New Brunswick teachers to provide classroom resources to help in teaching financial principles. We reviewed recent changes to the math curriculum for grade 10 made by the Department of Education. We provided teachers a document that links them directly to our resources so that teachers may use them when teaching the new learning outcomes.

HOT OFF THE PRESS

Our new women's fraud prevention and personal finance education program called *I'm Worth It!* was launched at the International Women's Day conference on 1 March 2012. *I'm Worth It!* helps women feel more confident talking about money and prepares them for some of the financial challenges life throws at them. We modelled these resources on a program developed by The Manitoba Securities Commission.

I'm Worth It! includes:

- an online money management guide and tools;
- booklet with worksheets that has simple easy-to-follow steps and tips for financial management; and
- presentations to women's groups.



The International Women's Day conference was organized by partners from the profit, not-for-profit and public sectors with more than 150 participants. This event is held each year as a way to bring New Brunswick women together to recognize and support women's achievements. We participated with presentations, sponsorship and an educational booth.

Investor Education Month Contest

During October 2011, Investor Education Month, New Brunswickers who shared their money-saving tips on our Facebook page were entered into a contest to win an iPad2. Jane Kindred of Sussex was the winner.



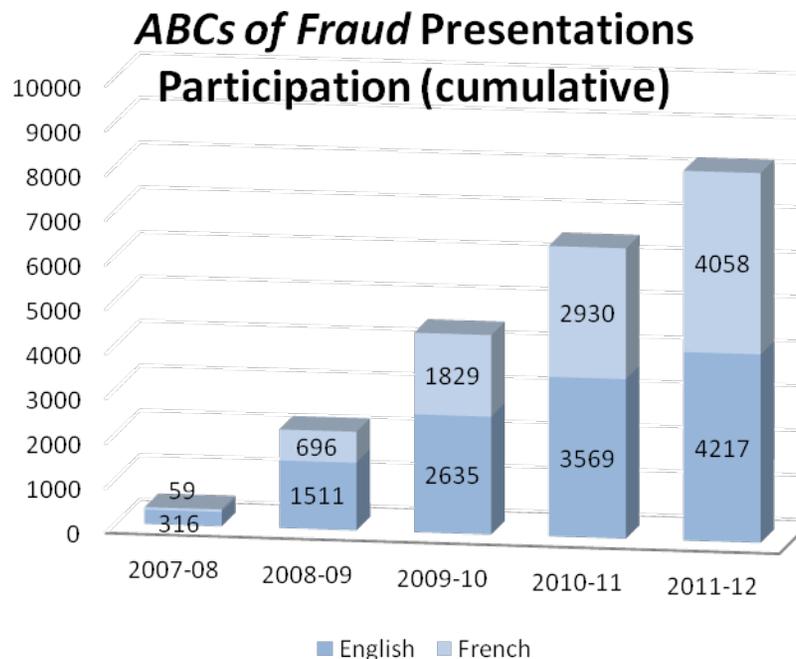
REACHING OUT TO NEW BRUNSWICKERS

WORKING TOGETHER

To get educational material in the hands of more New Brunswickers, we are working with new organizations. In 2011, we participated in the [Crime Prevention Association of New Brunswick](#)'s annual conference. The Crime Prevention Association of New Brunswick promotes and supports organizations that are creating safer communities and taking action to prevent crime in New Brunswick. New relationships are also being forged with [N.B. Crime Stoppers](#) and its Kennebecasis Valley branch.

ABCs OF FRAUD

For the fifth year, we partnered with the [Saint John Volunteer Centre](#) (SJVC) to deliver the *ABCs of Fraud* program. We provided the SJVC with \$50,000 to deliver fraud prevention messages in both official languages throughout the province.



5 years



54 Volunteers



257 Presentations



3135 Volunteer Hours



8,275 people in NB who are better informed investors

ESTABLISHING COMPLIANCE WITH NEW BRUNSWICK SECURITIES LAWS

As the provincial regulator, we want participants in the securities markets to meet their regulatory requirements. We do this by keeping track of those who sell securities, provide investment advice or participate in investment-related activities in New Brunswick. Our regulatory affairs staff keep a close eye on things through registration procedures and our compliance regime.

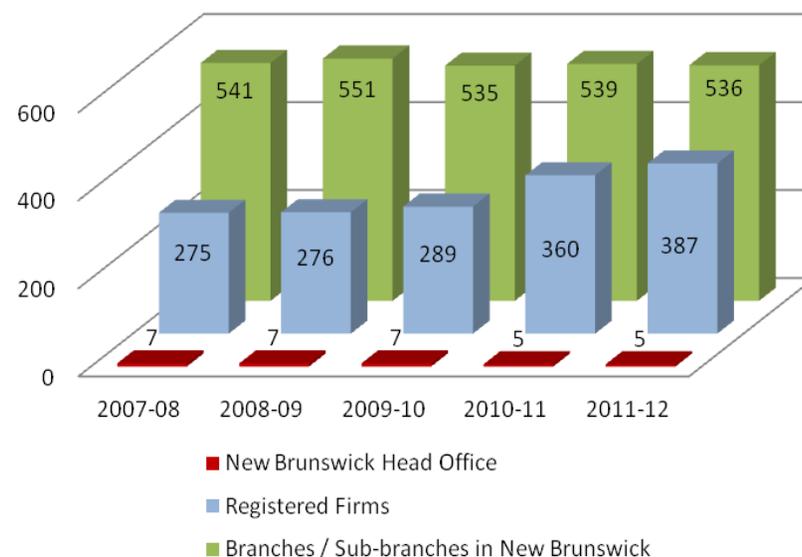
Any person or company that is in the business of trading or advising in securities must be approved to do so through their [registration with the Commission](#). We look at the type of activity they are engaged in and whether it is carried out for a business purpose to determine if an individual or a firm must register.



REGISTERED INDIVIDUALS



REGISTERED FIRMS



ESTABLISHING COMPLIANCE WITH NEW BRUNSWICK SECURITIES LAWS

Corporate Finance Activity	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Reporting issuers	3937	4011 ¹	4053	4289	4581
Reporting issuers (New Brunswick-based)	7	7	9	9	8
Prospectus filings (non-mutual funds) ²	507	352	578	598	467
Mutual fund prospectus filings	225	224	210	194	217
Annual information forms	1299	1152 ¹	1250	1205	1224
Exempt distribution reports	264	291	313	290	404
Exemption applications (non-Passport)	442	218	135	79	83
Cease-trade order	-	1	1	-	-
Management cease-trade order	-	1	-	-	-

¹ Restated.

² There were 3 prospectus filings filed by New Brunswick-based reporting issuers.

ESTABLISHING COMPLIANCE WITH NEW BRUNSWICK SECURITIES LAWS

OUR COMMITMENT TO THE JOB

We regularly review the conduct of those who operate in the capital markets and ensure that their business practices are complying with regulations. That's the job of our compliance officers.

Meet Kelly Franklin, Compliance Officer



Kelly has been a Compliance Officer with the Commission since February 2007. She came to us with nine years of experience working in the private sector with several large firms as a branch administrator and licensed securities sales person.

Kelly loves her job assessing the financial, operational and business conduct of securities dealers and advisers. Kelly visits the offices of securities firms around the province. She uses her keen eye for detail to make sure people who work in the industry comply with New Brunswick laws. But, that's not all, Kelly is also a New Brunswick representative on several CSA committees and works closely with other regulators to get her job done.

WORKING TOGETHER

As a member of the [Canadian Securities Administrators \(CSA\) Compliance Committee](#), Kelly participated in a review of the marketing practices of Portfolio Managers across the country. CSA members recognize that marketing practices are a common source for many deficiencies. The review resulted in the publication of [CSA Staff Notice 31-325 - Marketing Practices of Portfolio Managers](#) which provided a summary report of the findings.

ESTABLISHING COMPLIANCE WITH NEW BRUNSWICK SECURITIES LAWS

[National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations](#) contains requirements for relationship disclosure. The CSA compliance committee conducted a second review of a sample of firms registered as an Exempt Market Dealer (EMD) or Portfolio Manager for compliance. The field reviews have been completed and the committee is now compiling the findings.

Our compliance officers also participated in two [Mutual Fund Dealers Association](#) (MFDA) joint compliance reviews in our province as well as two issue-specific compliance reviews, one as a result of an internal referral from enforcement staff. Additional issue-specific reviews on registrant marketing practices were conducted to ensure compliance with terms and conditions placed on the firm.

NBSC staff actively contribute to many committees, working groups and special projects to ensure New Brunswick's regulatory framework is harmonized with the rest of Canada. We know we need to keep an eye on what's happening in other jurisdictions to protect investors and the integrity of our capital markets.

SURVEY SAYS

Staff occasionally conduct surveys of local dealers and advisers to find out more about their operations. A questionnaire was sent out in the fall of 2011 to [Investment Industry Regulatory Organization of Canada](#) (IIROC) member firms with offices in New Brunswick. We wanted to gain a better understanding of the types of sophisticated products and services IIROC dealers are offering to the public as well as review the firms' policies and procedures for conducting research, due diligence and suitability

reviews on these types of products. This information helped us select the firms that warranted a review in early 2012 about investment suitability for their clients.

We also sent a questionnaire to EMDs. This is a new category of registration in New Brunswick. The results of this survey help us identify the business structures of EMDs with offices in New Brunswick as well as the types of products they are offering to the investing public. This information is under review and will determine what field reviews should be conducted.

REPORTING ISSUERS

The CSA's Continuous Disclosure Committee completed a targeted review of reporting issuer first quarter filings as a result of implementing [International Financial Reporting Standards](#) (IFRS) throughout Canada. As an active member of the committee we reviewed New Brunswick-based reporting issuers. Initial indications are that these issuers are compliant with the requirements. We created a checklist for issuers to follow to assist them with preparations for these filings.

In 2011, we were principal regulator on the review of three prospectuses. The total amount raised by these New Brunswick companies was approximately \$110,000,000.

ENFORCING NEW BRUNSWICK SECURITIES LAWS

TAKING ACTION

In order to detect and deter inappropriate activity in our capital markets, we must remain effective and responsive. We must adapt to new technologies, new investment propositions and changing market realities. We do this by continuously looking to improve our processes and increase collaboration with other regulators and law enforcement agencies.

For the fifth year in a row, we held a White Collar Crime Symposium. Participants representing the RCMP, municipal law enforcement agencies, the insurance and pensions regulators, Canada Revenue Agency and other provincial regulators met to discuss issues related to commercial crime. This year we reviewed investigative techniques with those agencies that help to protect New Brunswickers.

We must also educate investors on how to become better informed investors and to identify and avoid fraudulent investments. Our enforcement, education and communications staff work together to identify ways to be proactive in warning the public about emerging scams and potential issues.

Fifty per cent of enforcement activity in 2011-2012 came about as a result of residents reporting their concerns. We rely on New Brunswickers to report suspicious investment solicitations or activity so we can take appropriate action. All complaints were assessed to determine if further investigation should be conducted. Those that were not securities related were referred to the appropriate agency.

Informing New Brunswick Investors



10 education

11 enforcement actions - including
4 Investor Alerts

21 News Releases



183 Media
articles



31 Enforcement-
related tweets

BEING PERSISTENT

Meet Ed Leblanc, Senior Investigator



We rely on New Brunswickers to report suspicious investment solicitations or activity as an important way of identifying possible inappropriate activity.

As an investigator, Ed's job is to analyze and research information and complaints received from New Brunswickers, the investment industry, law enforcement agencies and other financial regulators. When things look off-side, he conducts an investigation into potential violations and assembles and organizes the evidence. The next step is to prepare a case for either a Commission tribunal or a Provincial Court Judge. In either situation the proceedings will determine whether there has been a breach of securities laws. Appropriate disciplinary sanctions will then be assessed on those violators.

The job of an investigator requires persistence because it is not without its challenges. Unfortunately in many cases, by the time Ed even receives a complaint and digs deeper into it, he finds that investors have lost their money and it is not recoverable. This is why he encourages New Brunswickers to call us if they have concerns about a suspicious investment opportunity and before they hand over their hard-earned money.

Prior to joining the securities regulator 22 years ago (when it was still part of the Department of Justice), he served as a police officer in Dieppe for 15 years. Ed has made a significant contribution to investor protection in New Brunswick.

INVESTOR ALERTS

Our Director of Enforcement, Jake van der Laan, as Chair of the CSA Enforcement Committee spearheaded the CSA's launch of an [investor alerts page](#) on its website. The page shows investor alerts submitted by Canadian and international jurisdictions.

In August, we issued an [investor alert](#) jointly with the [Office of the Superintendent of Pensions](#) about pension unlocking schemes potentially targeting the province. These types of schemes breach numerous provisions of provincial pension legislation. None of the allowable provisions for unlocking pension monies under New Brunswick pension legislation requires the assistance of a third-party other than a financial institution or the pension plan administrator.

PENSION UNLOCKING SCHEMES

Pension unlocking schemes claim that those with pension plans or locked-in retirement savings arrangements can sell or exchange part or all of their future pension income payments for a lump sum of cash. These schemes often advertise that all types of pensions qualify and that there are no upfront fees or closing costs associated with the pension buyout service.

*All complaints
are assessed,
no matter
how big or how small.*

We also warned investors about the risks of [borrowing money to invest](#), also known as [leveraging](#). We were concerned that investors were not aware of the substantial risks of borrowing beyond their financial means and we wanted to emphasize that investors should know who they are dealing with and fully understand what they are investing in.

LEVERAGING

When an investor borrows money to invest, they take out a loan and use the proceeds to invest in a mutual fund or other investment product. The expectation is that the returns on the investment will be more than the interest on the loan, thereby generating a benefit. Because the money borrowed is being used to invest, the interest paid on the loan may be tax deductible and provides additional cash at tax return time. When returns on the investment turn out to be less than expected, a leveraged investment strategy can quickly turn into a burden rather than a benefit. Investors must carefully assess the risks associated with this approach.

ENFORCING NEW BRUNSWICK SECURITIES LAWS

BY THE NUMBERS

In 2011-2012, illegal distribution of securities accounted for 70 per cent of enforcement activity. An illegal distribution occurs when a company or individual offers or sells securities without being registered or without providing proper disclosure to investors.

Other enforcement matters involved registrant misconduct, including alleged misuse of leveraging and failure to file required reports.

Since 2005, the Commission has issued orders for \$3,011,219 in administrative penalties, \$143,108 in costs, \$3,600 in fees and ordered that \$215,600 be returned to investors through the disgorgement of funds to the Commission. Sixty-four per cent of the orders were issued as a result of a settlement agreement ordered by a hearing panel and the remaining were the result of contested hearings.



ENFORCING NEW BRUNSWICK SECURITIES LAWS

The following table details the penalties that remain unpaid from the orders issued since 2007.

Date of sanction	Matter	Manner of conclusion		Administrative Penalties (\$)	Costs (\$)	Disgorgement (\$)		Balance Owning (\$)
		Settlement	Contested	Imposed	Imposed	Imposed	Collected	
2007	James K. Hanley	X		45,000	5,000	-	-	50,000
2007	Limelight Entertainment Inc., Limelight Capital Management Ltd., Al Grossman, Carlos Da Silva, David Campbell		X	350,000	10,000	-	-	360,000
2007	Saxon Financial Services Ltd., Saxon Consultants, Ltd., Sean Wilson, Justin Praamsma, Conrad Praamsma, Todd Young, Merchant Capital Markets S.A.		X	-	6,750	-	-	6,750
2007	Meisner Inc. S.A., Jorge Vizcarra		X	-	4,500	-	-	4,500
2007	University Lab Technologies Inc., George Theodoropoulos, University Health Industries Inc., Pricewaterhouse Financial, LLC., Andrew Werner		X	-	4,000	-	-	4,000
2008	First Global Ventures, S.A., Abraham H. Grossman, Alan Marsh Shuman		X	225,000	23,033	-	-	248,033
2008	Wealth Pools International, Inc., Robert E. Lane, James H. Oagles, Ronald J. Fulton, Jeannie Tracy		X	160,000	2,000	-	-	162,000
2008	Harry Niles	X		60,000	5,000	160,000	61,090	163,910
2009	Barry Adams	X		20,000	-	-	-	20,000
2009	Michael Cody, Donald Nason		X	150,000	2,000	-	-	152,000
2010	Briand, Harrison & Associates Corporation, Stephen V. Harrison, Craig D. Briand	X		8,000	1,000	-	-	9,000
2011	Locate Technologies Inc., Tubtron Controls Corp.		X	1,248,500	11,750	-	-	1,260,250
2012	Steven Vincent Weeres, Rebekah Donszelmann		X	225,000	13,575	22,600	-	261,175
				\$ 2,491,500	\$ 88,608	\$ 182,600	\$ 61,090	\$ 2,701,618

ENFORCING NEW BRUNSWICK SECURITIES LAWS

Enforcement Activity	2006-2007	2007-2008	2008-2009	2009-2010 ¹	2010-2011	2011-2012
Complaints received	71	81	41	60	31	25
New files from other sources (referrals, surveillance, etc.)	-	-	-	24	23	22
Requests for assistance from other regulators	-	-	-	5	-	1
New matters	29	35	53	89	54	48
Matters concluded	22	20	43	83	62	41
Average length of matters (in days)	160	88	114	130	99 ²	48 ²
Interim cease-trade orders	13	4 (24 parties)	5 (19 parties)	4 (13 parties)	1 (3 parties)	3 (9 parties)
Cease-trade orders	5	4 (4 parties)	4 (11 parties)	3 (9 parties)	3 (10 parties)	2 (4 parties)
Recognition cease-trade orders	-	1	4	6 (28 parties)	-	-
Reprimands ³	-	-	-	-	1 (2 parties)	-
Exemption bans ³	-	-	-	-	4 (12 parties)	4 (12 parties)
Registrants limited/banned from market	2	1	15	3	2	2
Settlements approved	2	5	5	2	4	1
Hearing days (excludes hearings on requests for investigative orders)	24	16	20	14	16	18
Costs levied	\$ 5,000	\$ 29,000	\$ 64,033	\$ 3,000	\$ 3,000	\$ 30,325
Costs recovered	-	\$ 3,750	\$ 34,000	\$ 1,000	\$ 9,000	\$ 5,000
Administrative penalties levied	\$ 55,000	\$ 401,100	\$ 683,000	\$ 177,500	\$ 38,000	\$ 1,523,500
Administrative penalties recovered	\$ 10,000	\$ 51,100	\$ 238,000	\$ 7,500	\$ 31,000	\$ 50,000
Funds ordered to be returned to investors	-	-	\$ 160,000	-	\$ 33,000	\$ 22,600
Funds recovered to be returned to investors	-	-	\$ 25,090	\$ 12,000	\$ 45,000	\$ 12,000
Funds paid out to investors	-	-	\$ 23,090	\$ 14,000	\$ 39,000	-

¹ New reporting scheme implemented in 2009

² This number is generated as an average by the Enforcement Data and Activity Manager (EDAM) and includes the handling of Scamalyzr files.

³ Category added in 2010-2011

ENFORCING NEW BRUNSWICK SECURITIES LAWS

The purpose of administrative penalties is to protect investors and the capital markets by deterring particular respondents and others from engaging in undesirable conduct. In general, the magnitude of the penalty issued by a panel is determined by considering a number of factors, including the severity of the violation, harm to investors and the capital markets, prior conduct, and the required deterrence. We take appropriate measures to collect the penalties, on a case-by-case basis. Panels of the Commission do not usually consider the ability to collect the money or the ability to pay when determining the size of penalty to be imposed.

The [Securities Act](#) requires that a collected penalty must be used for purposes which advance the interests of investors. Penalty money received is placed into a separate fund and does not go into the Commission's general revenue nor is it used to fund our operations. An example of the use of penalty proceeds is funding for the *ABCs of Fraud* program. This bilingual program is offered by the Saint John Volunteer Centre to teach New Brunswickers how to protect themselves from fraud.

PROCEEDINGS

When a matter requires action by the Commission, enforcement staff bring evidence before a panel of Commission members who sit as an administrative tribunal. This year, to assist unrepresented parties navigate their way through the hearing process, we developed a guide to the Commission's hearing process for unrepresented parties.

The following is a summary of some of the cases that were addressed by a Commission panel during the fiscal year. Each case summary explains the nature of the alleged or actual securities violation and any sanctions ordered as part of a panel decision.

REGISTRANT MISCONDUCT

[SELLARS, KEYBASE](#)

In 2009, staff requested a proceeding before the Executive Director seeking terms and conditions to be placed on the registrations of James Sellars and Keybase Financial Group Inc. The MFDA had conducted an investigation, which indicated, staff allege, significant and unsuitable use of leverage in Sellars' book of mutual fund investments by clients.

The Executive Director held a hearing in February 2010 and in August 2010, placed certain terms and conditions on both Keybase and Sellars, including a restriction on the use of leverage. Sellars subsequently requested a review of the order by a panel of the Commission. In January 2012, the panel temporarily stayed some of the imposed terms and conditions pending their final decision on the matter.

ENFORCING NEW BRUNSWICK SECURITIES LAWS

VILLABAR REAL ESTATE INC.

In August 2011, a settlement agreement was approved by a panel in which the respondents admitted to paying compensation to individuals who assisted with the sale of investments and not disclosing this information to investors in the Offering Memorandum. The respondents also admitted that their actions could be viewed as an attempt to circumvent New Brunswick securities laws, which at the time prohibited paying sales commissions to anyone other than registered dealers. The panel ordered administrative penalties in the amount of \$20,000 for Villabar Real Estate Inc., \$15,000 for Ronald A. Medoff, \$10,000 for St. Clair Research Associates Inc., \$5,000 for Mayer Hoffer, and ordered all the respondents to jointly pay \$5,000 in costs. None of the New Brunswick investors lost money as a result of the respondents' actions.

BREACH OF SETTLEMENT AGREEMENT

LOCATE TECHNOLOGIES & TUBTRON CONTROLS

In May 2011, a Commission panel ordered Locate Technologies Inc. to pay \$750,000 for breach of a settlement agreement that provided investors an opportunity to get their money back. This is the maximum allowable penalty under the *Securities Act*. A related company, Tubtron Controls Inc., was also ordered to pay \$498,500 for breaching the same agreement.

The panel indicated in its decision that the penalties reflected the severe misconduct of these companies. It also stated that if a settlement agreement is breached, it has the potential to be damaging to investors and their confidence in the capital markets.

ILLEGAL DISTRIBUTIONS

MACCALLUM ET AL.

In October 2011, a panel issued two temporary consent orders against James A. MacCallum of Jamestown, New York (formerly of the Moncton area) and Andrew J. Trites of Irishtown, NB. Staff allege that the respondents did not follow securities laws in raising more than \$1.7 million from four New Brunswick investors; and that these investments were in default. The orders ban the three respondents from relying on any New Brunswick securities law exemptions, which prohibits them from dealing in securities directly with the public in New Brunswick while the investigation is ongoing. The bans are to remain in place until otherwise ordered by the Commission.

NEW CENTURY INTERNATIONAL

Two New Brunswick residents reported suspicions that a Panama-based company solicited them to buy gas futures trades using high-pressure sales tactics. The company, New Century International, and a salesperson, Ray Reynolds, were not registered to trade in securities in New Brunswick. Following a hearing held on 25 July 2011, a panel issued a permanent cease-trade order banning both respondents from trading in securities and denying them exemptions available under New Brunswick securities laws. Neither resident invested any money with the company.

ENFORCING NEW BRUNSWICK SECURITIES LAWS

PRIEST, PHILLIPS

On 17 November 2011, a temporary consent order was issued against William Watson Priest and Christopher Raymond Phillips of Nackawic, NB, and several companies: 613247 N.B. Ltd.; Priest Phillips Management Corp.; DLC Priest Financial; Priest Financial Group; Priest Phillips Professional Corp.; and Centum Home Mortgage Corp.

The order prohibits Priest, Phillips and the companies listed above from soliciting money from anyone for any investment-related activity, and is to remain in place until otherwise ordered by the Commission. The investigation was on-going at the end of the fiscal year.

WEERES, DONSZELMANN

Steven Vincent Weeres and Rebekah Donszelmann, both of Millet, AB, were involved in a Fredericton-based investment scheme promoted under the name Shaker Management Group Inc. The respondents traded in securities without having been registered to do so and without having filed a prospectus with the Commission.

In November 2011, a panel found that Weeres defrauded an investor, made prohibited representations, and made untrue and misleading representations, among other *Securities Act* violations.

On 15 March 2012, the panel ordered Weeres to pay \$200,000 in administrative penalties and permanently banned him from New Brunswick capital markets. Donszelmann was ordered to pay \$25,000 and she was banned from New Brunswick capital markets for 20 years.

The panel ordered the respondents to pay investigation and hearing costs of \$13,575 and to return \$22,600 to an investor who suffered significant financial losses through an investment in the scheme.

UNDERTAKINGS

We requested the following [undertakings](#) because the parties appeared to have been engaged in unregistered activity or had otherwise not been compliant with securities laws. The parties agreed to voluntarily discontinue activities described in the undertakings.

23 January 2012

[Managed Petroleum Group, Inc](#)
Richardson, Texas

23 March 2012

[Action Twenty Ltd.](#)
Lyttleton, New Brunswick

23 March 2012

[Falcon Petroleum Resources, L.L.C.](#)
Hurst, Texas

26 March 2012

[Secured Precious Metals International, Inc.](#)
Fort Lauderdale, Florida

RULES THAT PROTECT NEW BRUNSWICK INVESTORS

MAKING RULES

OVER-THE-COUNTER (OTC) DERIVATIVES

NBSC staff continue to work as part of the CSA Derivatives Committee. The [Consultation Paper 91-401](#) was issued for comments and the Committee continues to monitor international regulatory proposals and legislative developments. As part of this process, the Committee prepared three in a series of eight papers regarding the regulation of over-the-counter derivatives in Canada: [Trade Repositories](#); [Surveillance and Enforcement](#); and [Segregation and Portability](#).

The Committee is liaising with foreign regulators to develop rules that adhere to internationally-accepted standards. The Canadian OTC derivative market has a relatively small share of the global market. The rules developed for the Canadian market must be in line with international practice because the majority of transactions by Canadian market participants have foreign counterparties. We are taking into consideration that Canadian market participants and financial market infrastructures should have full access to the international market and are regulated in accordance with international principles.

MINIMUM AMOUNT AND ACCREDITED INVESTOR EXEMPTIONS

In November, along with the other CSA jurisdictions, we published [CSA Staff Consultation Note 45-401 Review of Minimum Amount and Accredited Investor Exemptions](#). Changes to these exemptions may have an impact on the various participants in New Brunswick's capital markets.

The purpose of the consultation is to ensure that both of these exemptions continue to meet the needs of market participants by striking the appropriate balance between investor protection and efficient capital raising in Canadian capital markets.

We consulted with stakeholders, including investors, issuers, dealers, and legal and other advisers to help us identify issues. This input will help us decide what changes might be necessary or appropriate.

We published a special edition of our [Making Headway](#) newsletter to provide an overview of the potential changes as well as an overview of these two exemptions. We also directly contacted capital markets participants and held a session at our offices to ask for feedback. We created a fillable PDF form that stakeholders could use to respond to the consultation document online.



14 staff

**Contributing
to a harmonized
securities industry
through**

**CANADIAN
SECURITIES
ADMINISTRATORS**

on



**16 Standing
Committees**



**22
Sub-Committees**



**29 Project
Committees**



14 staff

**Contributing to a
harmonized
securities
industry through**

**COSRA, NASAA,
National Joint
Forum of
Financial Market
Regulators on**



9 Committees

CONSOLIDATION OF REGULATORY INSTRUMENTS

In order to improve services offered to the public, we developed an ambitious plan to consolidate existing rules as well as upcoming amendments to rules. Wherever possible, the ultimate goal is the publication of consolidated versions of rules as the related proposed amendments come into force.

LEGISLATIVE AMENDMENTS

AMENDMENTS TO NEW BRUNSWICK SECURITIES ACT

In December 2011, the New Brunswick Legislature passed [amendments to the Securities Act](#) proposed by the Commission. Among others, the changes enable the recognition and oversight of auditor oversight bodies as well as the regulation of credit rating agencies. The changes also strengthen our enforcement measures as we are now able to prosecute a person who gives false testimony. The Act amendments clarify the ability of the Commission to disclose information when it is for the protection of the public and conversely the ability of the Commission to prevent confidential information from being disclosed. These amendments are consistent with similar provisions in *Securities Acts* in other Canadian jurisdictions.

AMENDMENTS TO NEW BRUNSWICK REGULATION 2010-127 - RULE-MAKING PROCEDURE

We recommended several amendments to Regulation 2010-127 - *Rule-making Procedure to Regulation*. The first recommended amendment relates to the inclusion of a form to enable us to execute a warrant in the province on behalf of another jurisdiction. The second proposed amendment reduces the minimum comment period for a second public consultation on a proposed rule from 60 to 30 days. This harmonizes and aligns us with other jurisdictions across the country and enables new rules to be in place at the same time.

RULES THAT PROTECT NEW BRUNSWICK INVESTORS

PROVIDING ADVICE AND SUPPORT

Meet Erin Toole, Legal Counsel



Erin's job is to provide legal advice and support to Commission members and staff. Her job requires her to be on top of the latest in securities legislation and policies. She is part of the team in the General Counsel division that knows the [Securities Act](#) inside and out. She is usually buried in paper work, but she's developed the ability to analyze situations quickly and effectively.

Erin also provides support to Commission members and supplementary members. Whether it's helping them prepare for hearings or when they issue decisions in matters brought before adjudicative panels, she is always conducting research.

Prior to joining the Commission in 2006, Erin was in private practice in Toronto, and has experience in administrative, securities and corporate law. She is a member of the Canadian Bar Association, the Law Society of New Brunswick and the Law Society of Upper Canada. She is also the past President of the New Brunswick branch of the Canadian Corporate Counsel Association.

FOSTERING THE CAPITAL MARKETS

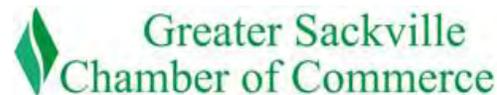
Our objective is to promote the development of New Brunswick's capital markets by ensuring we have a regulatory structure that supports access to capital and the growth of economic wealth and independence. We can't do this alone and it's a tough objective to measure. However, if we report on progress and seek feedback along the way, we hope to generate movement toward the goal.

We take on initiatives that enhance capital markets infrastructure and improve access to capital. Our [Fullsail](#) work connects us directly to New Brunswick investors and capital markets participants through our research and educational activities.

We will see success in improving the capital markets in New Brunswick by working with organizations around the province. All of our educational sessions, webinars and activities were held in collaboration with key industry organizations.



NEW BRUNSWICK SECURITIES COMMISSION



FOSTERING THE CAPITAL MARKETS

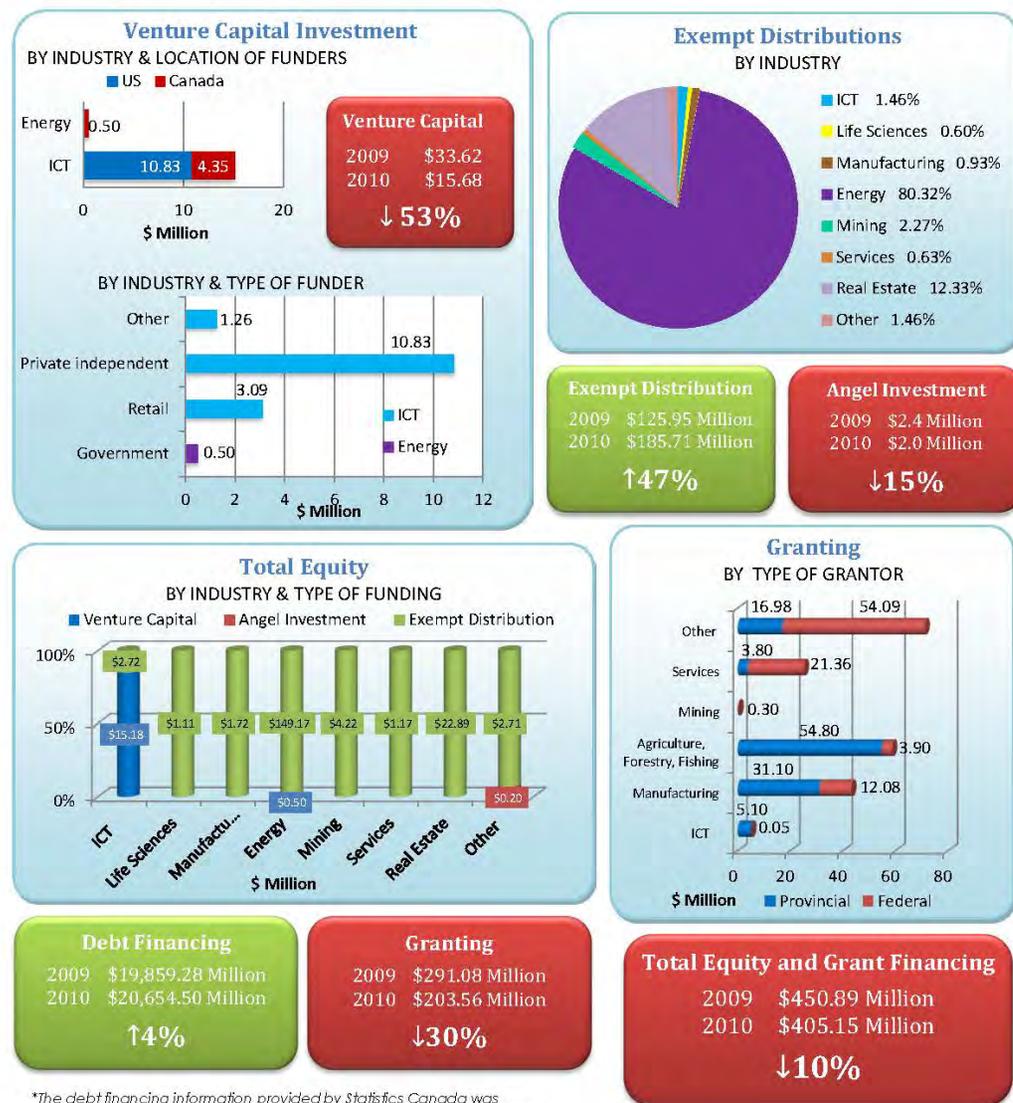
RESEARCH

One of our challenges is understanding how our efforts to develop the capital markets have impact. In 2010, we conducted a study of the capital markets in New Brunswick. This gave us an understanding of who operates in and contributes to the capital markets and what key performance indicators (KPI) we could begin to track.

In 2011, we conducted an additional research project using 2010 capital markets statistics with the collaboration of Dr. Dharendra Shukla, professor at the University of New Brunswick and an MBA student from UNB Saint John. The research expanded on the KPIs and created a [Capital Markets Performance Dashboard](#). These metrics will continue to be updated on an annual basis. Over time, we hope to see trends that show capital markets growth. These metrics also help us develop programs and services that respond to areas that need more work.

During our research, we noticed that the exempt market and venture capital played a significant role in our capital markets. As a result, we delivered educational workshops on how to use the exempt market as a way to raise capital.

CAPITAL MARKETS PERFORMANCE 2010 DASHBOARD



*The debt financing information provided by Statistics Canada was available for Atlantic Canada only. Included within this figure is NB specific information relating to outstanding loans made by the caisses populaires.

FOSTERING THE CAPITAL MARKETS

EDUCATION

[Learning the Ropes](#) is the name of our capital markets education initiative. We offered workshops around the province on capital markets exemptions and the offering memorandum exemption. We also brought the same information online in a short video series.

We support the capital markets development activities of many organizations throughout the province. We offered presentations on raising capital and acted as a judge at various business plan competitions or student-lead initiatives. Our participation has helped to improve the knowledge of the participants on capital raising issues and has given them a better understanding of how to access capital in New Brunswick.

- [NBIF Breakthru Competition](#)
- Université de Moncton's Stock Simulator
- CGA Saint John Annual Meeting
- CBDC Annual Meeting
- Cox and Palmer Lunch and Learn Series
- Tech South East Capital Connections Showcase
- McKenzie College – Entrepreneur Workshop
- Guest speaker on various topics at UNB
- G. Wallace F. McCain Institute at UNB – Entrepreneurial Leaders Program training

Learning the Ropes



8 New Brunswick communities



18 capital markets presentations



501 capital markets participants

FOSTERING THE CAPITAL MARKETS

ACTION

We continue to play a role with the [New Brunswick Business Council](#)'s FutureNB initiative. We participated in a series of dialogues on accessing capital issues with New Brunswick stakeholders lead by Francis McGuire in six communities during the month of March.

Our signature *Fullsail* capital markets event was offered this year as a series of webinars. We decided to deliver webinars because of feedback from our capital markets stakeholders. The [webinars are archived on our website](#) for viewing any time.

As a lead up to the first two webinars, we asked seven prominent New Brunswick business leaders to address the topic: *What has to happen to improve access to capital in NB?* These [opinion articles](#) were published online as well as part of a special edition of our newsletter Making Headway. The Telegraph-Journal also wrote a series of articles on the same topic. The idea was to get New Brunswickers talking about New Brunswick's capital markets landscape.

GUEST CONTRIBUTOR ARTICLES

WHAT HAS TO HAPPEN NEXT TO IMPROVE ACCESS TO CAPITAL?

SMEs need to be willing to take on equity investment - David Campbell

Time to think and behave like an entrepreneur - Dr. Dhirendra Shukla

Everyone has a role to play - Ross Finlay

Regional Cooperation - Peter Clark

Encouraging Competition - Calvin Milbury

Turning Ideas Into Action - Jeff Harriman

Put Your Money Where Your Mouth Is - Nancy Mathis

For the [first webinar](#), the panellists shared their experience as angel investors. They spoke about what angels expect from entrepreneurs, how companies can prepare for angel investment, and how to find angel investors.



Moderator - Nancy Mathis, G. Wallace F. McCain Institute at UNB

Panellists - Gary Smith, angel investor and Ross Finlay, angel investor and Executive Director of the First Angel Network

FOSTERING THE CAPITAL MARKETS

The [second webinar](#) addressed the question: “*What needs to happen next to improve access to capital markets in New Brunswick?*” The webinar encouraged debate about New Brunswick’s current financial landscape, the economic climate affecting our capital markets and the role New Brunswickers can play in improving access to capital. Panel members offered insights and answered questions about how to get New Brunswickers investing in New Brunswick companies.



Moderator - David Campbell, Journalist and Economic Development Expert

Panellists - Francis McGuire of Major Drilling, Janice MacPherson of the G. Wallace F. McCain Institute at UNB and Scott Walton of Enovex

The [third webinar](#) examined the question “Are You Investment Ready?” by learning from New Brunswick success stories. The experienced panellists shared information about attracting investment, what investors are looking for and what companies should expect from an investor, among other experiences.



Moderator - Calvin Milbury of the New Brunswick Innovation Foundation

Panellists - Jeff White of East Valley Ventures, Betsy Kelly of Radian6 and Yan Simard of Zaptap.

PROGRESS REPORTING

We report on our progress so that New Brunswickers can see how we are collectively improving our capital markets.

Our [Making Headway](#) newsletter is one way we report on our progress. It highlights success stories and challenges that the capital markets in New Brunswick are facing. We issued four newsletters during the year, two of which were special editions about the [Fullsail article series](#) and about

FOSTERING THE CAPITAL MARKETS

the CSA consultation of the \$150,000 minimum amount exemption and the accredited investor exemption. We sent the newsletter by email to over 400 [subscribers](#) and we also mailed it to 110 organizations around the province. In each of our newsletters, we have contributors from industry providing a different perspective and starting conversations.

METRICS

SMALL BUSINESS INVESTOR TAX CREDIT (SBITC)

Last year was another strong year for the [Department of Finance's SBITC program](#). The Department of Finance recorded the second highest number of applications and investments since the program began in August 2003. Investments over the past eight years have topped \$76.6 million dollars. There were 64 approved applications generating a total of \$16.6 million in investments by 372 individual investors in 2011. Though the number of applications and total investment was less than 2010, this continues to be a popular program for New Brunswick-based companies to raise equity and New Brunswickers to invest locally and at the same time receive a tax credit.

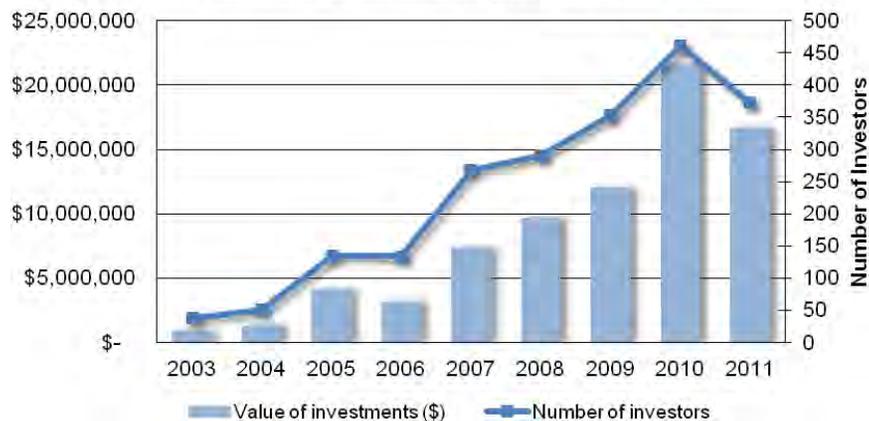
ANGEL INVESTMENT

Angel investment is an important part of a company's early stage growth because it typically leverages additional investment. The [First Angel Network \(FAN\)](#) is the only formal angel network in the Maritimes. There were 31 of 92 investors associated with FAN that were New Brunswick residents in 2011.

FAN's goal is to complete four investments per year throughout Atlantic Canada. New Brunswick continues to produce quality investment opportunities that attract the attention of this organization. FAN made one investment in a New Brunswick company raising \$440,000 in 2011 compared to \$200,000 the previous year.

New Brunswick Small Business Investor Tax Credit (SBITC)

Source: New Brunswick Department of Finance

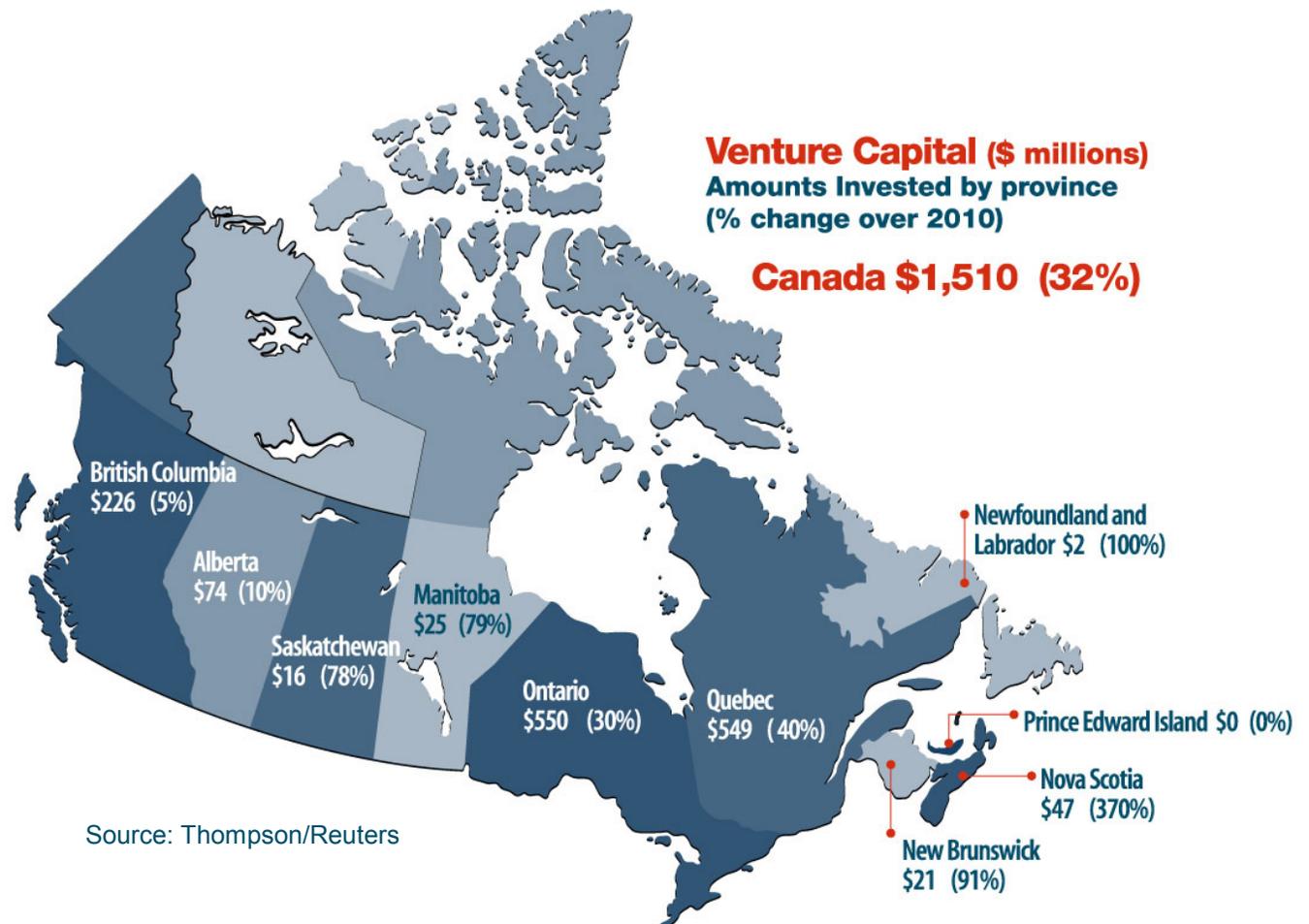


FOSTERING THE CAPITAL MARKETS

VENTURE CAPITAL

Companies looking to commercialize research and development, or pursue market readiness, often seek venture capital (VC) investment as a follow up to angel financing. Early stage VC funding is needed to help carry a business to its next stage of growth.

Total Canadian venture capital investment continued to rebound in 2011 with a 32 per cent increase. New Brunswick saw a dramatic increase of more than 90 per cent in 2011 with a total investment of \$21 million in six New Brunswick companies.



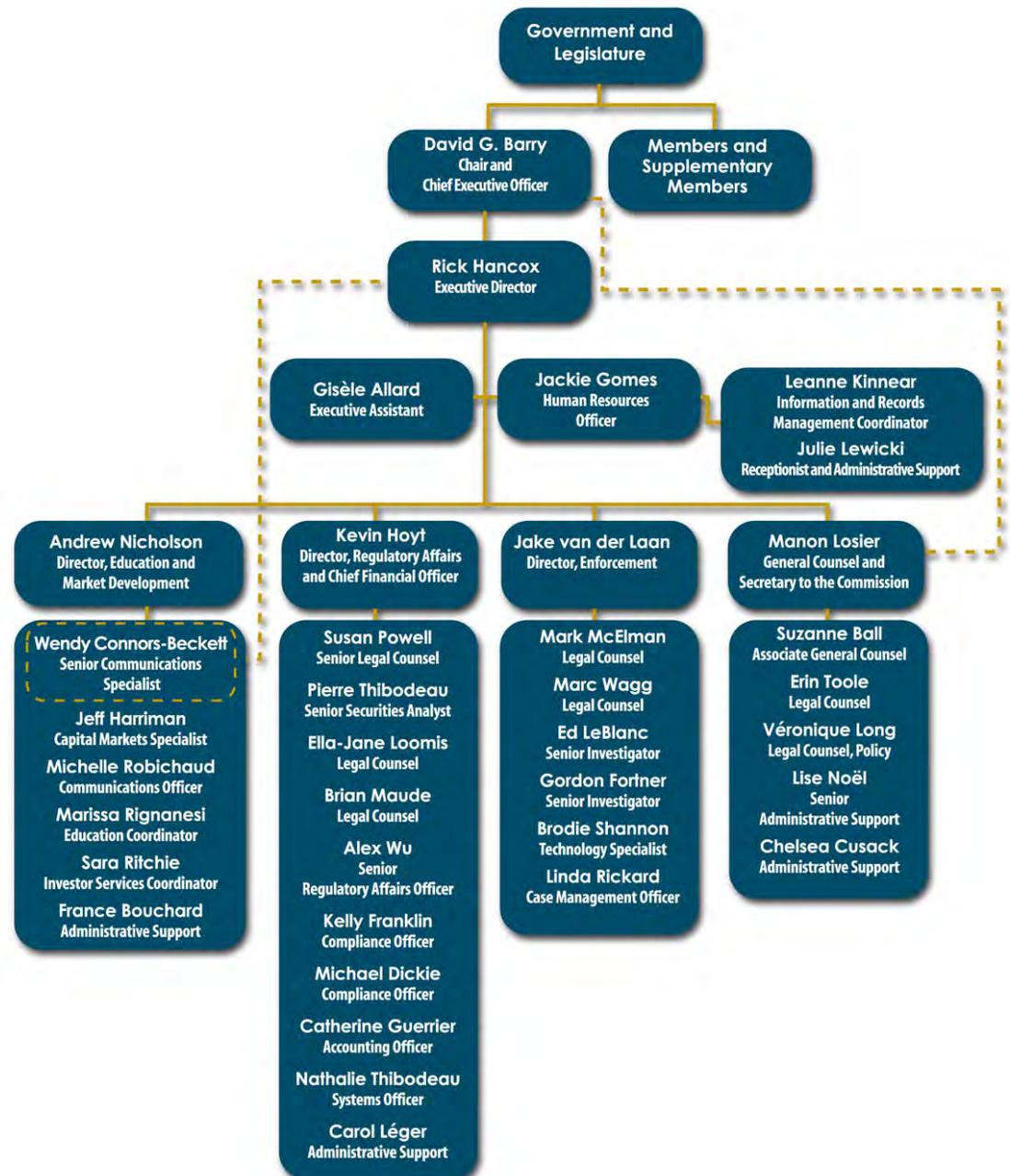
STAFF



[Online Contact List for Staff](#)

ORGANIZATIONAL CHART

We recognize that to ensure excellence in fulfilling our responsibilities, we need to invest in our people to develop expertise, leadership and effective teamwork.



ORGANIZATIONAL PROFILE

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, recommend changes to the [Securities Act](#), and act as a tribunal for enforcement hearings and other matters.

We have highly-specialized staff that develop, uphold and enforce securities regulation to protect investors. Our staff members are lawyers, accountants, investigators, policy experts and specialists in the field of securities, finance, education, communications and capital markets development. Our organizational culture supports staff in developing their talents to enhance our ability to serve our mandate.

We fully embrace and 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 promoting a balanced use of both official languages within the workplace. We are striving to meet the spirit of the [Province of New Brunswick's Language of Work Policy and Guidelines](#). Although language of work and language of service have separate applications, we view their connection as essential to the overall commitment of the organization to official languages matters.

During the fiscal year, as part of our on-going efforts on official languages, we developed resource materials to assist staff in understanding official languages requirements but to also provide them with some of the resources they may require for service delivery to the public.

We recognize that to ensure excellence in fulfilling our responsibilities, we need to invest in our people to develop expertise, leadership and effective teamwork. We endeavour to create a flexible, inclusive and supportive work environment that focuses on employee growth, development and satisfaction. We aim to be an employer of choice by offering leading practices and progressive options to our employees in return for their dedicated work and effort.

We are committed to providing quality services to the public in their official language of choice and to promoting a balanced use of both official languages within the workplace.

ORGANIZATIONAL PROFILE

PRIVACY

Our [privacy statement](#) is posted on our website and reflects the Commission's commitment to privacy and the protection of personal information. This statement, consistent with our Commission's Privacy Policy, provides the public with the highlights of our approach to privacy matters, including our commitment to manage and protect information according to the [Right to Information and Protection of Privacy Act](#), the [Securities Act](#) and our Commission policies, directives and procedures. The statement also provides the contact information for the Commission's privacy officer.

ARTICLING PROGRAM

For a third consecutive year, the Commission offered an articling program for a law student in cooperation with three other agencies in New Brunswick - the Energy and Utilities Board, WorkSafe New Brunswick and Legal Aid. This program enables a law student to complete the requirements of the New Brunswick Law Society toward an education plan intended to provide the student with a working knowledge in the basic practice areas of the law.

PUBLIC INTEREST DISCLOSURE

The [Public Interest Disclosure Act](#) (*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.

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 2011-2012.

NATIONAL REGULATOR

In July 2009, the federal government established the [Canadian Securities Transition Office](#) (CSTO). The mandate of the CSTO was to draft a federal *Securities Act*. It recommended the establishment of a national securities regulator. The federal government asked the Supreme Court to rule on the federal government's constitutional authority to proceed.

In the interim, New Brunswick, along with nine other provinces and territories agreed to work with the CSTO on developing a model to improve the regulatory structure for securities in Canada while ensuring the needs of the provinces and territories were met.

The Supreme Court of Canada released its decision on 22 December 2011 stating that the draft federal [Securities Act](#) is not within the legislative authority of the Parliament of Canada. The federal government is now considering the decision and its implications.

ROLE OF COMMISSION MEMBERS

As directors of the Commission, the six members are accountable to the government through the [Minister of Justice and Consumer Affairs](#) for the proper administration of the *Securities Act* and the governance of the Commission. Members apply their expertise in the 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 mandate of Commission members, which is contained in the [Governance Policy](#), can be found on our website.

As a full-time member of the Commission and pursuant to the [Securities Act](#), the Chair acts as the 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 their quasi-judicial role, members adjudicate regulatory and enforcement matters.

Because of linguistic requirements and the diversity of matters to be heard, the Commission also has three supplementary members whose role is to serve on hearing panels as the need arises.

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 with the Chair without staff present. 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 2009-2010, 2010-2011 and 2011-2012 fiscal years. 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, and presides at 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.

LINK TO FULL GOVERNANCE REPORT

SKILLS AND EXPERIENCE

The Commission maintains and regularly reviews a profile for the Commission as a whole. The profile sets out the mix of backgrounds, skills and experience required to guide the Commission's strategy and on-going business operations. When there is a vacancy, the skills for a replacement candidate are set by doing an analysis of that profile. The current makeup of the Commission is reflected in the following chart.

Skills and experience	Skills and knowledge level
Management	6
Business	6
Accounting	5
Corporate Finance	4
Banking	3
Insurance	4
Securities / investment	5
Other directorships	5
Government / Public sector	5
Information technology	4
Facility in both official languages	2
Stakeholder understanding, involvement	5
Communication	5
Legal	3
Adjudicative	5
Corporate governance	6

COMMITTEES

The Commission has 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. Membership on the Audit and Human Resources and Governance committees is restricted to independent members. The Chair attends committee meetings by invitation, except for the Adjudicative Committee for which he is the Chair.

REPORT ON GOVERNANCE

Members	Meetings					Hearings		
	Commission (13)	Special (4) ¹	Audit Committee (6)	Human Resources and Governance Committee (6)	Adjudicative Committee (2)	Hearings Days	Hearing Preparation and Deliberations	Exemption and other applications (7)
David G. Barry, Q.C.	13/13	2/4 ²	6/6	6/6	2/2	N/A	N/A	7
Anne La Forest	13/13	2/4 ²	6/6	.5/.5 ³	2/2	5	21	1
Sheldon Lee	13/13	4/4	6/6	.5/.5 ³	2/2	1	2	1
Kenneth Savage	13/13	4/4	6/6	6/6	2/2	3.5	9	3
Céline Trifts	13/13	2/4 ²	N/A	6/6	2/2	9.5	24.5	2
Harry H. Williamson, Q.C.	13/13	4/4	N/A	6/6	2/2	0	0	0
Supplementary Members	Meetings					Hearings		
Denise A. LeBlanc, Q.C.	N/A	1/1	N/A	N/A	2/2	6.5	14.5	N/A
Tracey DeWare	N/A	2/2 ⁴	N/A	N/A	2/2	2	4.5	N/A
Guy G. Couturier, Q.C.	N/A	0/1	N/A	N/A	2/2	5	29.5	N/A

¹ Special meetings included strategic planning and education sessions.

² These members did not participate in two Commission meetings to avoid a conflict of interest.

³ While not regular members of the HRG Committee, these members were invited to a specific meeting to participate in an evaluation.

⁴ Ms. DeWare participated in an orientation session following her appointment.

REPORT ON GOVERNANCE

REMUNERATION

members, supplementary members, Committee Chairs and the Lead Member as set out below:

MEMBERS

[Bylaw No. 1, General Business Affairs](#), provides the salary, retainers and service fees, as applicable, for the Chair,

	Salary	Annual Retainer	Service Fees
Chair and CEO	Up to \$175,000	N/A	N/A
Members	N/A	\$10,000	\$ 350
Supplementary Members	N/A	\$ 5,000	\$ 350

Note: The Lead Member and Committee chairs each receive an additional retainer of \$2,000 per year.

CHAIR AND CEO

The Chair and CEO received a basic salary of \$163,381 plus employment benefits which include health, dental and life insurance, in lieu of pension a payment of \$11,454 (the lesser of nine per cent of basic salary or one-half of the maximum allowable RRSP deduction limit), vacation 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 \$28,986.

MEMBERS' REMUNERATION AND EXPENSES (2011-2012)

The members' retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2011-2012 are included below. Members receive a service fee for each activity on behalf of the Commission which includes preparation for each Commission meeting. Members and supplementary members also receive service fees for hearing preparation and time spent drafting decisions.

REPORT ON GOVERNANCE

Member	Appointed or reappointed	Term End	Retainer ¹	Service Fees ²	Allotment for Travel Time	Total Remuneration	Expense Reimbursement and Allowances
Anne La Forest (Lead Member)	1-Jul-04 15-Jul-08	14-Jul-12	\$ 12,000	\$ 21,875	\$ 2,310	\$ 36,185	\$ 8,002
Sheldon Lee	15-Jul-08	14-Jul-13	\$ 10,000	\$ 15,575	\$ 1,200	\$ 26,775	\$ 2,534
Kenneth Savage, CA (Committee chair)	16-Aug-07 1-Jul-10	30-Jun-15	\$ 12,000	\$ 21,875	\$ 2,500	\$ 36,375	\$ 5,850
Céline Trifts (Committee chair)	16-Aug-07 30-Jun-09	29-Jun-14	\$ 12,000	\$ 26,950	\$ 3,300	\$ 42,250	\$ 13,195
Harry H. Williamson, QC	15-Jul-08	14-Jul-13	\$ 10,000	\$ 14,000	\$ 1,200	\$ 25,200	\$ 3,656

Supplementary Member							
Denise A. LeBlanc, Q.C.	15-Jul-08 15-Jul-11	14-Jul-14	\$ 5,000	\$ 8,400	\$ 1,200	\$ 14,600	\$ 6,697
Tracey DeWare	1-Mar-11	28-Feb-14	\$ 5,431 ³	\$ 4,025	\$ 1,200	\$ 10,656	\$ 4,764
Guy Couturier, Q.C.	18-Sep-08 18-Sep-10	18-Sep-13	\$ 5,000	\$12,775	\$ 1,400	\$ 19,175	\$ 4,517

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.

³ A portion of this retainer covers an appointment period prior to the beginning of the fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended 31 March 2012
Dated 18 June 2012

The following discussion and analysis provides a summary of the operating results for the New Brunswick Securities Commission for the year ended 31 March 2012. 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 F2012, means the fiscal year ending 31 March 2012.

Assumptions made throughout this section, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining F2013 expectations are forward-looking and subject to risks and uncertainties.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises would be required to adopt IFRS for fiscal years beginning on or after 1 January 2011. The Commission is classified as an Other Government Organization (OGO). OGOS have the ability to use Public Sector standards or IFRS. The Commission chose IFRS as its most appropriate basis of accounting.

The date of transition for the Commission was 1 April 2010 with 31 March 2012 being the fiscal year-end date of the first set of IFRS statements. The comparative statements ending 31 March 2011, as well as any comparative references to F2010, were restated as a result of this transition.

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 Commission is not an appropriation dependent Crown corporation and had no borrowings from the Government of New Brunswick at 31 March 2012 or at any time in its existence.

Operational staff at the Commission maintain 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 F2012 exceeded the budgeted amount.

MANAGEMENT DISCUSSION AND ANALYSIS

SELECTED FINANCIAL INFORMATION

	Budget F2012	Actual F2012	Actual F2011	Actual F2010
Revenue	\$ 11,674,250	\$ 13,201,389	\$ 12,124,689	\$ 11,517,251
Expenses	5,414,393	5,335,948	5,261,031	5,138,963
Excess of revenue over expenses	6,271,857	7,865,441	6,863,658	6,378,288
Total assets	-	4,939,863	4,199,213	3,675,202
Total liabilities	-	3,240,087	3,056,113	2,771,427
Total funds' balance	-	1,699,776	1,143,100	903,775
Distributions to government	\$ 5,500,000	\$ 7,308,765	\$ 6,624,333	\$ 5,465,143

REVENUE

The Commission's revenue consists 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 relates primarily to capital raising activities and securities trading in New Brunswick.

A significant part of our fee revenue comes from fees paid by mutual funds to distribute securities as well as fees paid by the five largest Canadian banks to register their representatives.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF TOTAL REVENUE

Category	Description	F2012 Amount	F2012 % of Revenue	F2011 Amount
Distribution fees	Paid by securities issuers when filing distribution documents.	\$ 7,354,400	55.7%	\$ 6,598,150
Distribution fees for F2012 are up \$756,250 or 11.5% from F2011. These fees are primarily prospectuses filed by mutual funds and companies. Mutual fund filings comprise about 88% 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.	3,506,398	26.6	3,343,211
Registration fees for F2012 are up \$163,187 or 4.9% from F2011. Individual registration accounts for the majority of the total amount and of the increase. The Passport system and the harmonized rules have facilitated registration between jurisdictions.				
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	1,977,250	15.0	1,927,500
Financial filing fees are up slightly, \$49,750. A set fee is paid for filings such 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.	71,650	0.5	43,051
Other fees	Paid by market participants for late filing and other miscellaneous fees.	24,552	0.2	31,300
TOTAL FEES		\$ 12,934,250	98.0	\$ 11,943,212
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	50,000	0.4	31,000
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 our revenue recognition policy during the year. Two other decisions totalling \$1,473,500 were not recognized. Receipts from administrative penalties are for the benefit of the Market Enhancement Reserve, which is described further in this section.				
Disgorged funds	Paid subsequent to a hearing panel ruling.	11,000	0.1	45,000
Disgorgements are generally an unbudgeted revenue source and are subject to enforcement and hearing panel activity. A disgorgement order is intended to remove any amounts a wrongdoer has obtained as a result of contravening New Brunswick securities laws. An additional disgorgement order in the amount of \$22,600 was not recognized.				
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	5,000	0.0	9,000
A Hearing Panel may order costs if it is satisfied that a respondent has not complied with New Brunswick securities laws and if it is of the opinion that a respondent has not acted in the public interest. Two cost orders in the amount of \$25,325 have not been recognized.				
Investment income	Earned on cash balances.	68,147	0.5	39,576
Investment income is derived from our banking agreement and, consequently, it generates modest returns (prime less 1.9%). We do not make speculative investments with our surplus funds and we make periodic and orderly distributions of surplus funds to the Government of New Brunswick.				
Miscellaneous income	Primarily a recovery of employment expenses for a seconded employee.	132,992	1.0	56,901
TOTAL REVENUE		\$ 13,201,389	100.0%	\$ 12,124,689

MANAGEMENT DISCUSSION AND ANALYSIS

EXPENSE SUMMARY	Actual versus budget			
	F2012	Budget	\$ Diff	% Diff
Expenses				
Salaries and benefits	\$3,688,586	\$3,664,368	\$ 24,218	0.7%
Administration*	804,834	938,845	(134,011)	-14.3
Market enhancement	-	-	-	-
Disgorged funds	11,000	12,000	1,000	-8.3
Professional services	201,659	165,000	36,659	22.2
Travel	172,175	186,600	14,425	-7.7
CSA initiatives	67,893	70,600	(2,707)	-3.8
Premises	289,897	293,680	(3,783)	-1.3
Depreciation	99,904	83,300	16,604	19.9
	\$5,335,948	\$5,414,393	\$ (78,445)	-1.4%

*See note 17 to the financial statements for greater detail.

EXPENSE SUMMARY	Actual versus last year			
	F2012	F2011	\$ Diff	% Diff
Salaries and benefits	\$ 3,688,586	\$ 3,534,226	\$ 154,360	4.4%
Administration*	804,834	919,027	(114,193)	-12.4
Market enhancement	-	-	-	-
Disgorged funds	11,000	45,000	(34,000)	-75.6
Professional services	201,659	128,686	72,973	56.7
Travel	172,175	187,455	(15,280)	-8.2
CSA initiatives	67,893	60,915	6,978	11.5
Premises	289,897	279,508	10,389	3.7
Depreciation	99,904	106,214	(6,310)	-5.9
	\$ 5,335,948	\$5,261,031	\$ 74,917	1.4%

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 our processes.

Expenses increased by 1.4% or \$74,917 in F2012 to total \$5,335,948. This is \$78,445 (1.4%) less than the budgeted expense of \$5,414,393.

Salaries and benefits expenses account for 69.1% of operating costs (67.2% in F2011) and increased \$154,360 from F2011, mostly as a result of performance increments. There were 38 staff on payroll at year end (34 prior year) and on an annualized or person-year basis, there were 34.1 person-years of employment in F2012 (34.6 in F2011).

MANAGEMENT DISCUSSION AND ANALYSIS

Compensation was greater than budget because of incremental costs associated with maternity leaves and because the budgeting methodology did not include the costs of one employee who was on secondment. The full expense and revenue recovery for this secondment is reflected in the actual results.

Administration expenses account for 15.1% of operating costs for F2012 (17.5% in F2011) and were \$114,193 lower than the prior year. These costs include investor education and education expenses, a contribution for the *ABCs of Fraud* program, information technology, training, communication, printing and other general office expense items. The *Invest in Knowing More* campaign was the largest expense for this category at \$153,390 (\$258,124 in F2011). Information technology costs were \$112,211 (\$145,071 in F2011) during the period, which were used for network support, data security and back-up, website costs and software licenses.

There were no expenses paid by the Market Enhancement Reserve this year.

Disgorged funds represent money recovered from individuals or companies arising from enforcement actions. This money is turned over to specific investors that were financially harmed by those found to have violated the *Securities Act*. In this case, \$11,000 was expensed to be provided to nine investors.

Professional services expenses increased by \$72,973 year over year. External legal fees were responsible for the largest increase (\$47,571). Legal fees were incurred for the retainer of external legal counsel for an administrative proceeding in front of the Commission and for

representation on appeals of Commission decisions to the Court of Appeal. Other initiatives that had associated fees were translation, transcription expenses and human resource consultants.

Travel costs were \$15,280 lower than the prior year and represented 3.2% 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. Expenses for CSA initiatives were up \$6,978 from the prior year to total \$67,893 in F2012. 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 Montreal 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 \$10,389 (3.7%). This represents 5.4% of total expenses. The increase in premise costs was attributable to an escalation provision in the lease. The office lease expires in February 2016.

Depreciation expenses decreased by \$6,310. The largest depreciable asset involves leasehold improvements, which are being amortized over ten years for the original space and about eight years for additional space acquired in F2009. This accounts for about 57% (\$57,006) of the total expense. Furniture, information technology hardware, information technology software and vehicle assets make up the remainder of the depreciation expense.

MARKET ENHANCEMENT RESERVE

This year no funds were transferred from the Market Enhancement Reserve toward 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. The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In F2012, administrative penalties totalling \$50,000 were assessed and determined to be collectible (\$31,000 in F2011). A further \$1,473,500 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. The balance in the reserve stands at \$102,292.

DISPOSITION OF SURPLUS OPERATING FUNDS

The Commission made total payments of \$7,308,765 to the Government of New Brunswick during the year. The payment amount is calculated annually and is included in our strategic business plan. The total contribution included a budgeted amount of \$5,500,000 as well as an additional \$1,808,765 that represented the balance of the general surplus as at 31 March 2011. 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. With the transition to IFRS and the deferral of registration revenue, the 31 March 2011 general surplus was restated as a deficit. Notwithstanding this restatement, the Commission made a subsequent surplus payment for the originally-stated amount of \$1,808,765. Since the Commission was established in July 2004, contributions of \$47,544,496 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 \$8,102,257. The combined cash balance at year end was \$4,611,587. This includes amounts from the Commission's reserves.

MANAGEMENT DISCUSSION AND ANALYSIS

The Commission maintains a Stabilization Reserve. The maximum value of the reserve was maintained at \$1,500,000. The Stabilization Reserve allows us 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.

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 our 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;
- a Risk Management Policy with a quarterly 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 Supreme Court of Canada rendered a decision on 22 December 2011 that determined that legislation proposed by the Canadian Securities Transition Office (CSTO) was not constitutionally valid under the general branch of the federal power to regulate trade and commerce. Subsequent to the decision, the CSTO's mandate was extended until 12 July 2013 to allow the CSTO to work with provinces and territories on a cooperative basis toward a common securities regulator. The implications of this revised initiative represent a source of uncertainty and could have a material impact on the Commission's operations.

FINANCIAL SERVICES REFORM IN NEW BRUNSWICK

On the 23 November 2011, the Honourable Graydon Nicholas delivered the 2011 Speech from the Throne. It contained the following statement: "To address the concerns raised by the Auditor General, your government will examine the feasibility of creating a single, independent Financial Services Regulatory Agency in order to bring consistent application of regulatory authority, reduce duplication and to provide for an independent hearing tribunal."

The Commission continues dialogue with the Government of New Brunswick regarding this statement. If a Financial Services Regulatory Agency is realized in New Brunswick, and it includes the administration of securities, this would 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 97% of total revenue is collected through SEDAR and NRD. CDS maintains a comprehensive business continuity plan for each system and the CSA requires a Service Organizations Control (SOC1) Report at 31 December of each year. 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.

The Commission accrues amounts due when they meet generally accepted revenue recognition criteria. During the fiscal period F2012, a total of \$1,473,500 of administrative penalties, \$22,600 in disgorgements and \$25,325 in awarded costs were not recognized as revenue as the amounts appeared to be uncollectible.

The Commission has not recognized any provisions for legal challenges in these financial statements.

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).

There was a significant change to the Commission's basis of accounting in F2012 as it transitioned to IFRS. Accompanying this transition was a material accounting policy change – the deferral of registration revenue over the calendar year to which it applied.

MANAGEMENT DISCUSSION AND ANALYSIS

A second change dealt with the depreciation of property, plant and equipment and the establishment of certain capital pools. This pooling of certain low cost but frequently purchased items, such as computers, had the impact of increasing the unamortized value of our capital assets.

F2013 OUTLOOK

Budgeted revenue is \$12.3 million for F2013. This represents a decrease of about 7.0% from F2012 actual revenue of \$13.2 million. This decrease is primarily the result of a conservative budgeting approach, not budgeting for enforcement revenue, and the approximate five-month lag between the development of the F2013 budget, and the close of the F2012 fiscal year.

Operating expenses are budgeted to be \$5.8 million for F2013. This represents an increase of \$462,000 over F2012 actual expenses. This increase is primarily attributable to salary and benefit increases, including future benefit accruals. The Commission has not implemented a cost of living increment for the last two fiscal years. Most employees were eligible for a step increase.

The budgeted subsequent surplus for F2013 is about \$1 million, after the budgeted contribution of \$5.5 million to the Government of New Brunswick. The budgeted contribution is the same as F2012.

MD&A SUPPLEMENT - COMPENSATION DISCLOSURE

Senior Management includes the Chair and Chief Executive Officer, 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 includes health, dental and life insurance, pension, leave, and parking. The Chair and Chief Executive Officer also has the use of a vehicle.

Position	Salary Range (\$)
Chair and Chief Executive Officer	139,600 - 175,000
Executive Director	127,500 - 159,400
General Counsel and Secretary to the Commission	113,900 - 142,300
Director, Regulatory Affairs and Chief Financial Officer	113,900 - 142,300
Director, Enforcement	113,900 - 142,300
Director, Education & Market Development	97,400 - 121,800

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 for publicly accountable enterprises.

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, FCGA
Chief Financial Officer and Director
of Regulatory Affairs



AUDITOR GENERAL OF NEW BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

Chairperson and Members
New Brunswick Securities Commission

I have audited the accompanying financial statements of the New Brunswick Securities Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of comprehensive income, changes in fund balance and cash flows for the years ended March 31, 2012 and March 31, 2011, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Securities Commission as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Kim MacPherson

Kim MacPherson, CA
Auditor General

Fredericton, N.B.
June 18, 2012

117 Floor, HSBC Place
P.O. Box 758
Fredericton, NB E3B 5B4

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012
(in Canadian \$)

ASSETS	2012 31 March	2011 31 March	2010 1 April
Current Assets			
Cash and cash equivalents (Note 8)	\$ 3,004,296	\$ 2,260,695	\$ 1,691,082
Accounts receivable	33,280	27,010	53,607
Prepaid expenses	42,059	48,036	57,934
	<u>3,079,635</u>	<u>2,335,741</u>	<u>1,802,623</u>
Investments held for designated purposes (Note 8)	1,607,292	1,557,400	1,519,992
Property, plant and equipment (Note 10)	252,936	306,072	352,587
	<u>\$ 4,939,863</u>	<u>\$ 4,199,213</u>	<u>\$ 3,675,202</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 124,986	\$ 191,011	\$ 176,623
Accrued salaries and benefits	134,053	130,872	168,570
Current portion of accrued benefit liabilities (Note 14)	54,175	30,147	15,651
Accrued vacation liabilities	40,471	27,870	25,144
Deferred registration fee revenue	2,406,113	2,250,211	2,019,222
	<u>2,759,798</u>	<u>2,630,111</u>	<u>2,405,210</u>
Accrued benefit liabilities (Note 14)	480,289	426,002	366,217
Total liabilities	<u>3,240,087</u>	<u>3,056,113</u>	<u>2,771,427</u>
Fund balances			
General	92,484	(414,300)	(616,217)
Stabilization reserve (Note 9)	1,500,000	1,500,000	1,500,000
Market enhancement reserve (Note 9)	102,292	51,400	19,992
Disgorgement reserve (Note 9)	5,000	6,000	-
	<u>1,699,776</u>	<u>1,143,100</u>	<u>903,775</u>
	<u>\$ 4,939,863</u>	<u>\$ 4,199,213</u>	<u>\$ 3,675,202</u>

The accompanying notes 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
Member

STATEMENT OF COMPREHENSIVE INCOME (by nature)

For the year ended 31 March 2012
(in Canadian \$)

	2012	2011
REVENUE		
Fees		
Distribution of securities	\$ 7,354,400	\$ 6,598,150
Registrations	3,506,398	3,343,211
Financial filings	1,977,250	1,927,500
Exemptions and orders	71,650	43,051
Other	24,552	31,300
Administrative penalties and settlements	50,000	31,000
Disgorged funds	11,000	45,000
Enforcement cost recoveries	5,000	9,000
Investment income	68,147	39,576
Miscellaneous	132,992	56,901
	<u>13,201,389</u>	<u>12,124,689</u>
EXPENSES		
Salaries and benefits	3,688,586	3,534,226
Administration (Note 17)	804,834	919,027
Disgorged funds	11,000	45,000
Professional services	201,659	128,686
Travel	172,175	187,455
Canadian Securities Administrators' initiatives	67,893	60,915
Premises	289,897	279,508
Depreciation	99,904	106,214
	<u>5,335,948</u>	<u>5,261,031</u>
COMPREHENSIVE INCOME	<u>\$ 7,865,441</u>	<u>\$ 6,863,658</u>

STATEMENT OF CHANGES IN FUND BALANCE

For the year ended 31 March 2012
(in Canadian \$)

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Disgorgement Reserve	Total
Balance, 1 April 2010 (Restated)	\$ (616,217)	\$ 1,500,000	\$ 19,992	-	\$ 903,775
Comprehensive income (Restated)	6,863,658	-	-	-	6,863,658
Disposition of surplus operating funds (Note 11)	(6,624,333)	-	-	-	(6,624,333)
Investment income reallocation	(408)	-	408	-	-
Allocation from general (Note 9)	(76,000)	-	31,000	45,000	-
Allocation to general (Note 9)	39,000	-	-	(39,000)	-
Balance, 31 March 2011 (Restated)	(414,300)	1,500,000	51,400	6,000	1,143,100
Comprehensive income	7,865,441	-	-	-	7,865,441
Disposition of surplus operating funds (Note 11)	(7,308,765)	-	-	-	(7,308,765)
Investment income reallocation	(892)	-	892	-	-
Allocation from general (Note 9)	(61,000)	-	50,000	11,000	-
Allocation to general (Note 9)	12,000	-	-	(12,000)	-
Balance, 31 March 2012	\$ 92,484	\$ 1,500,000	\$ 102,292	\$ 5,000	\$ 1,699,776

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012
(in Canadian \$)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 7,865,441	\$ 6,863,658
Adjustment for depreciation - property, plant and equipment	99,904	106,214
Accrued benefit liabilities	54,287	59,785
Gain on disposal of property, plant and equipment	(10,912)	(2,477)
	8,008,720	7,027,180
Changes in non-cash working capital		
Accounts receivable	(6,270)	26,597
Prepaid expenses	5,977	9,898
Accounts payable and accrued liabilities	(66,025)	14,388
Accrued salaries and benefits	3,181	(37,698)
Accrued vacation liabilities	12,601	2,726
Accrued benefit liabilities	24,028	14,496
Deferred registration fee revenue	155,902	230,989
	8,138,114	7,288,576
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(7,308,765)	(6,624,333)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(68,556)	(68,222)
Proceed on disposal of property, plant and equipment	32,700	11,000
	(35,856)	(57,222)
NET INCREASE IN CASH AND CASH EQUIVALENTS	793,493	607,021
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,818,095	3,211,074
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,611,588	\$ 3,818,095
Represented by:		
Cash	\$ 3,004,296	\$ 2,260,695
Investments held for designated purposes	1,607,292	1,557,400
	\$ 4,611,588	\$ 3,818,095
	2012	2011
Note:		
Cash flow from interest received is included in comprehensive income.	\$ 68,147	\$ 39,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

1. Nature of the Corporation

The New Brunswick Securities Commission (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 Commission maintains its registered office at 85 Charlotte Street, Suite 300, Saint John, New Brunswick, E2L 2J2.

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. Basis of preparation and statement of compliance with IFRS

In 2010 the Canadian Institute of Chartered Accountants Handbook was revised to incorporate International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and to require publicly-accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. The Commission, classified as a Government Business Enterprise, is deemed to be publicly accountable. Accordingly, these are the Commission's first annual financial statements prepared in accordance with IFRS as issued by the IASB. They comply with those standards in effect as at 31 March 2012.

The financial statements are presented in Canadian dollars, which is also the functional currency of the Commission.

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments, if any) at fair value through profit or loss.

The principal accounting policies applied in the preparation of these financial statements are set out in note 3 below. These policies have been consistently applied to all the years presented. Note 16 discloses the impact of the transition to IFRS on the Commission's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Commission's financial statements for the year ended 31 March 2011 prepared under Canadian GAAP before the adoption of IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognized when earned, which is normally upon receipt.

Activity fees are triggered by certain activities requested of staff by market participants (e.g. prospectus and continuous disclosure filings). Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when the activities become billable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

Registration fees are deferred and recognized in revenue over the period to which they relate.

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 using the effective interest method.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis over the expected useful economic lives. The principal useful economic lives used for this purpose are:

- Office furniture and equipment: 4 years
- Information technology infrastructure: 4 years
- Software: 4 years
- Automobile: 5 years
- Leasehold improvements: over term of lease

The Commission allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive income.

(c) Impairment of property, plant and equipment

At each financial year end, the Commission reviews the carrying value of its property, plant and equipment to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

The Commission has no finance leases in place.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease. Benefits received and receivable, if any, as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(e) Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Legal challenges – On occasion, legal proceedings are threatened or initiated against the Commission. The Commission provides for the estimated full cost of any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled. The amount provided is discounted to present value.

(f) Employee benefits

Post-employment benefit obligations

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation Plan (the "Plan"), which is a defined benefit pension plan. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the Commission; accordingly the Commission recognise a cost equal to the contribution payable for the period. The Commission receives from the Province of New Brunswick, the administrator and sponsor of the *Public Service Superannuation Act*, notification on an annual basis of the required contributions.

The Commission also provides supplemental benefits in the form of retirement allowances to certain employees and additional pensionable service years to a retired Chief Executive Officer. These unfunded defined benefit programs are accounted for using the projected benefit method pro-rated on service, and management's best estimate of salary escalation, discount rates and retirement ages of employees.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly-liquid investments, if any, with original maturities of three months or less.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

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

- I. Cash is classified as "fair value through income". 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". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets.
- III. Accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities are classified as "other financial liabilities". These payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these payables are measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(i) Future Accounting and reporting changes

The International Accounting Standards Board (the "IASB") is continually working towards improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect within future reporting periods. The Commission monitors the IASB work plans and publications to assess any potential impact on the Commission.

IFRS 13 (Fair Value Measurement), effective 1 January 2013, establishes a single framework for all fair value measurements and describes how fair value is measured under IFRS. It is not anticipated that the standard will have a material impact on the Commission financial statements.

The IASB is currently working on revisions to IFRS 9 (Financial Instruments), IAS 17 (Leases), and IAS 18 (Revenue). At the current time, the impact of proposed revisions is not determinable.

4. Significant accounting judgments and estimation uncertainties

Critical accounting estimates and judgments

The Commission makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Commission's financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

(a) Critical accounting estimates

Property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Commission's property, plant and equipment in the future.

Retirement Allowances

Management estimates a liability for employees with five or more years of service that will be eligible to receive a retirement allowance. It is possible that employees may leave the Commission's employment prior to reaching the earliest possible retirement age of 55. This factor could significantly impact the retirement allowance liability.

(b) Critical accounting judgments

Management exercises its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report have been disclosed in Note 3. The determination of the collectability of administrative penalty revenue represents a significant policy judgment area.

5. 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. Accounts receivable are current and collectable. Accordingly, no provision for allowance for doubtful accounts is required. Its two bank accounts are held with a Canadian financial institution which has a credit rating of AA or higher.

Liquidity risk

All financial liabilities are due within one year and 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 stabilization reserve in place in the event that cash requirements exceed cash generated from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

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. A 25 basis point change in the interest rate would have an immaterial impact on the financial statements.

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. These amounts are minor.

6. 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 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.

7. 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.

IFRS 7 "Financial Instruments: Disclosures" 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 require 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 fair value of cash and cash equivalents are considered level 1.

8. 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 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 1.9% calculated daily. The amounts attributable to the stabilization reserve, disgorgement reserve and market enhancement reserve have been disclosed on the balance sheet as cash and cash equivalent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

9. Reserve

Stabilization Reserve

The Commission has established a reserve consistent with subsection 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, which is the value of the reserve as of 31 March 2012, 31 March 2011 and 1 April 2010.

Market Enhancement Reserve

The Commission collects administrative penalties under section 186 of the *Securities Act*. Consistent with subsection 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. The value of the reserve is \$102,292 (\$51,400 at 31 March 2011 and \$19,992 at 1 April 2010).

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. The value of the reserve is \$5,000 (\$6,000 at 31 March 2011 and \$0 at 1 April 2010).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

10. Property, plant and equipment

	Office furniture and equipment	Information technology infrastructure	Software	Automobile	Leasehold improvements	Total
Cost						
As at 1 April 2010	\$ 145,137	\$ 159,160	\$ 11,780	\$ 34,086	\$ 508,564	\$ 858,727
Additions	-	35,540	-	32,682	-	68,222
Dispositions	-	-	-	(34,086)	-	(34,086)
As at 31 March 2011	145,137	194,700	11,780	32,682	508,564	892,863
Additions	7,210	24,211	-	32,775	4,360	68,556
Dispositions	-	-	-	(32,682)	-	(32,682)
As at 31 March 2012	\$ 152,347	\$ 218,911	\$ 11,780	\$ 32,775	\$ 512,924	\$ 928,737
Accumulated Depreciation						
As at 1 April 2010	\$ 116,242	\$ 123,568	\$ 11,780	\$ 25,563	\$ 228,987	\$ 506,140
Depreciation	15,051	28,711	-	6,536	55,916	106,214
Dispositions	-	-	-	(25,563)	-	(25,563)
As at 31 March 2011	131,293	152,279	11,780	6,536	284,903	586,791
Depreciation	13,077	23,824	-	5,997	57,006	99,904
Dispositions	-	-	-	(10,894)	-	(10,894)
As at 31 March 2012	\$ 144,370	\$ 176,103	\$ 11,780	\$ 1,639	\$ 341,909	\$ 675,801
Net book value						
As at 1 April 2010	\$ 28,895	\$ 35,592	\$ -	\$ 8,523	\$ 279,577	\$ 352,587
As at 31 March 2011	\$ 13,844	\$ 42,421	\$ -	\$ 26,146	\$ 223,661	\$ 306,072
As at 31 March 2012	\$ 7,977	\$ 42,808	\$ -	\$ 31,136	\$ 171,015	\$ 252,936

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

11. 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 subsection 25(5) of the *Securities Act*.

12. Provisions

A provision is recognized if, as a result of a past event, the Commission has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Commission has no provisions recorded at 31 March 2012 (31 March 2011 – nil; 1 April 2010 - nil).

13. 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 2012 amounted to \$992,447. 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:

2012-2013	253,906
2013-2014	253,214
2014-2015	253,214
2015-2016	232,113
Thereafter	0
Total	<u>\$ 992,447</u>

(b) Legal actions

The Commission has been named as a defendant in one statement of claim. The claim is in the early stages and the outcome and ultimate disposition of this action is not yet determinable. An expense, if any, concerning this contingency will be accounted for in the period in which the payment or provision occurs.

14. Employee future benefits

(a) 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 2012, the Commission expensed contributions of \$217,496 (\$200,939 in 2011) under the terms of the Plan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
(in Canadian \$)

(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 2012, the Commission expensed \$20,673 (\$18,818 in 2011) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$17,083 (\$14,347 in 2011).

(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 2012, the Commission expensed \$77,201 for this program (\$76,948 in 2011) and paid out benefits of \$2,476 (\$7,138 in 2011).

15. Related party transactions

The Department of Justice and Attorney General, 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 Attorney General also provides support for the policy and regulatory responsibilities of the Commission.

The Commission expended \$124,088 (\$155,456 in 2011) during the reporting period on these services. As of 31 March 2012 an accounts payable of \$0 (\$39,407 at 31 March 2011 and \$57,358 at 1 April 2010) was owed to the Department of Justice and Attorney General and was 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. Total expenditures during the period were \$80,993 (\$60,932 in 2011). As of 31 March 2012 an accounts payable of \$18,189 (\$11,615 at 31 March 2011 and \$2,340 at 1 April 2010) 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. During the year no translation services were provided without charge while in 2011 the commission received translation services of \$21,983 without charge.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
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Key Management Personnel

Key management of the Commission include members of the board of directors and the executive committee:

	2012	2011
Salaries and other short-term employee benefits	\$797,061	\$760,607
Post-employment benefits	51,978	60,922
	<u>\$849,039</u>	<u>\$821,529</u>

16. First-time adoption of IFRS

The Commission's financial statements have been prepared for the first time in accordance with IFRS for the year ended 31 March 2012. The comparative statements for the year ended 31 March 2011 have been restated on an IFRS basis. The date of transition to IFRS was 1 April 2010. IFRS 1 (First-time Adoption of IFRS) allows first-time adopters certain optional elections and exemptions from the general requirement to apply IFRS. The Commission has not elected to apply any optional elections or exemptions. The Commission has adopted the mandatory exemption relating to estimates. Estimates previously determined under Canadian GAAP cannot be revised due to the application of IFRS except where necessary to reflect differences in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
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IFRS require that the Commission's comprehensive income previously reported at the end of the most recently completed annual period be reconciled to those amounts that would have been reported applying IFRS-IASB; the corresponding reconciliation is required for comparative periods as well.

	31 March 2011		
	As previously reported	Effect of transition to IFRS-IASB	As adjusted
REVENUE			
Fees			
Distribution of securities	\$ 6,598,150		\$ 6,598,150
Registrations	3,574,200	\$(230,989) g	3,343,211
Financial filings	1,927,500		1,927,500
Exemptions and orders	43,051		43,051
Other	31,300		31,300
Administrative penalties and settlements	31,000		31,000
Disgorged funds	45,000		45,000
Enforcement cost recoveries	9,000		9,000
Investment income	39,576		39,576
Miscellaneous	5,690	51,211 h	56,901
	12,304,467	(179,778)	12,124,689
EXPENSES			
Salaries and benefits	3,483,015	51,211 h	3,534,226
Administration	888,075	30,952 c, i	919,027
Market enhancement	47,225	(47,225) i	-
Disgorged funds	45,000		45,000
Professional services	128,686		128,686
Travel	187,455		187,455
Canadian Securities Administrators' initiatives	60,915		60,915
Premises	279,508		279,508
Depreciation	88,415	17,799 d	106,214
	5,208,294	52,737	5,261,031
COMPREHENSIVE INCOME	\$ 7,096,173	\$ (232,515)	\$ 6,863,658

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
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IFRS require that the Commission's fund balance previously reported at the date of transition to IFRS and at the end of the most recently completed annual period be reconciled to those amounts that would have been reported applying IFRS; the corresponding reconciliation is required for comparative periods as well.

The impact to the balance sheet and fund balances as at 1 April 2010 is detailed below:

As at	1 April 2010		
(in Canadian \$)	As previously reported	Effect of transition to IFRS-IASB	As adjusted
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,691,082		\$ 1,691,082
Accounts receivable	53,607		53,607
Prepaid expenses	57,934		57,934
	1,802,623		1,802,623
Investments held for designated purposes	1,519,992		1,519,992
Property, plant and equipment	323,915	28,672 a	352,587
	\$ 3,646,530	\$ 28,672	\$ 3,675,202
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 176,623		\$ 176,623
Accrued salaries and benefits	168,570		168,570
Current portion of accrued benefit liabilities	15,651		15,651
Accrued vacation liabilities	25,144		25,144
Deferred registration fee revenue	-	2,019,222 e	2,019,222
	385,988	2,019,222	2,405,210
Accrued benefit liabilities	366,217		366,217
Total liabilities	752,205	2,019,222	2,771,427
Fund balances			
General	1,374,333	(1,990,550) c,e	(616,217)
Fee stabilization reserve	1,500,000		1,500,000
Market enhancement reserve	19,992		19,992
	2,894,325	(1,990,550)	903,775
	\$ 3,646,530	\$ 28,672	\$ 3,675,202

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012
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The impact to the balance sheet and fund balances as at 31 March 2011 is detailed below:

As at	31 March 2011		
(in Canadian \$)	As previously reported	Effect of transition to IFRS-IASB	As adjusted
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,260,695		\$ 2,260,695
Accounts receivable	27,010		27,010
Prepaid expenses	48,036		48,036
	2,335,741		2,335,741
Investments held for designated purposes	1,557,400		1,557,400
Property, plant and equipment	278,926	27,146 b,c,d	306,072
	\$ 4,172,067	\$ 27,146	\$ 4,199,213
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 191,011		\$ 191,011
Accrued salaries and benefits	130,872		130,872
Current portion of accrued benefit liabilities	30,147		30,147
Accrued vacation liabilities	27,870		27,870
Deferred registration fee revenue		2,250,211 f, g	2,250,211
	379,900	2,250,211	2,630,111
Accrued benefit liabilities	426,002		426,002
Total liabilities	805,902	2,250,211	3,056,113
Fund balances			
General	1,808,765	(2,223,065) b,c,d,f,g	(414,300)
Fee stabilization reserve	1,500,000		1,500,000
Market enhancement reserve	51,400		51,400
Disgorgement reserve	6,000		6,000
	3,366,165	(2,223,065)	1,143,100
	4,172,067	\$ 27,146	\$ 4,199,213

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The effects of the transition to IFRS-IASB on the line items in the preceding table relate to presentation and/or disclosure effects to the Commission

Topic	Line items affected	Amount of effect increase (decrease)				Presentation and/or disclosure	Recognition, measurement, presentation and/or disclosure	Comments
		1 April 2010		31 March 2011				
PPE	Property, plant and equipment	28,672	a	27,146	b,c,d		X	Certain items might be below the capitalization threshold individually but are typically purchased or held in large quantities so will represent a significant expenditures overall. In these cases, we will now capitalize all items acquired in a given PPE class or pool and amortize the pool over a pre-determined amortization period.
	Fund Balance - General	28,672	a	28,672	b			
	Administration			(16,273)	c			
	Depreciation			17,799	d			
Revenue	Deferred registration fee revenue	2,019,222	e	2,250,211	f, g		X	Previously, we recognized registration fees when received. Registration fees are now deferred and recognized in revenue over the year to which they relate.
	Fund Balance - General	(2,019,222)	e	(2,019,222)	f			
	Revenue			(230,989)	g			
Secondment	Salaries and benefits	0		51,211	h	X		In 2011 and 2012 an employee was seconded to the Canadian Securities Transition Office for a period of time. Comparatives have been reclassified to conform to the current year's presentation.
	Revenue Miscellaneous	0		51,211	h			
Market enhancement	Administration	0		47,225	i	X		Comparatives have been reclassified to conform to the current year's presentation.
	Market enhancement	0		(47,225)	i			

NOTES TO THE FINANCIAL STATEMENTS

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17. Administration

	2012	2011
Fostering capital markets	\$ -	\$ 5,887
Investor protection and education	337,581	411,839
Members and staff development	137,825	141,098
Payment to Department of Justice and Attorney General under Agreement	25,000	35,000
Contribution for ABCs of Fraud	50,000	47,225
Information technology	112,211	145,071
Other administration	142,217	132,907
	<u>\$ 804,834</u>	<u>\$ 919,027</u>

18. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the 31 March reporting date and the date of authorization.

19. Authorization of financial statements

The financial statements for the year ended 31 March 2012 (including comparatives) were approved by the board of directors on 18 June 2012.